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HEALTHAMERICA LEGISLATION: IMPLICATIONS FOR MASSACHUSETTS AND THE NATION

HEARINGS

BEFORE THE

COMMITTEE ON LABOR AND HUMAN RESOURCES UNITED STATES SENATE

ONE HUNDRED SECOND CONGRESS

FIRST SESSION

ON

S. 1227

EXAMINING REFORM OF THE NATION'S HEALTH CARE SYSTEM TO ASSURE ACCESS TO AFFORDABLE HEALTH CARE FOR ALL AMERICANS, FOCUSING ON HEALTH AND ECONOMIC IMPLICATIONS

JULY 22 (BOSTON, MA) and AUGUST 14 (WORCESTER, MA), 1991

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WEDNESDAY, AUGUST 14, 1991

HEALTHAMERICA LEGISLATION: IMPLICATIONS FOR MASSACHUSETTS AND THE NATION

MONDAY, JULY 22, 1991

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Boston, MA.

The committee met, pursuant to notice, at 10:17 a.m., in the Conference Room of the Wellman Building, Massachusetts General Hospital, Boston, MA, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senator Kennedy.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We'll come to order.

Today's hearing is on one of the most serious domestic challenges facing the Nation—the health care crisis that is pricing decent care beyond the reach of large numbers of families.

In recent years, in the absence of Federal leadership, several States have advanced proposals of their own. Massachusetts has been a pioneer in this regard, and our State deserves great credit. But the lesson of our experience is that no State can do the job alone.

We see high levels of public support for universal access in other industrial countries. While foreign citizens may have complaints about aspects of their country's program, very few disagree with the policy of coverage for all.

The health care crisis we face in the United States has two central features. First, nearly half the American people have no protection or inadequate protection against the event of serious illness. Second, health care costs are soaring out of control.

In Massachusetts, because of the progress we have made toward universal access, the percent of the population without insurance is lower than the national average—8 percent compared to 13 percent.

Across the country, 34 million Americans have no health insurance at all. Two-thirds of the total are working men and women and their families. Most of them work hard, 40 hours a week, 52 weeks a year. But all their hard work cannot buy them the access to health care they need or the freedom from fear of high costs of care. Even those who have insurance must live every day with the knowledge that they and their families are only one pink slip away

from losing coverage—one serious illness, one decision by their boss to cut costs.

For too many citizens in this recession, being laid off means losing your health insurance. Those who work in firms affected by so-called COBRA requirements can keep their coverage for up to 18 months, but with one big proviso—they have to pay the full premium themselves—and that cost is often prohibitive for men and women standing in unemployment lines, struggling to put food on the table.

In addition, if their firm had fewer than 25 employees, COBRA does not apply at all. It is estimated that for every 10 workers who have lost their jobs in this recession, five have lost their health insurance as well. Given the continuing, dismal economic news and the worsening conditions in the health insurance industry, more and more workers are at risk of losing coverage. I regard that result as unacceptable. No workers who lose their jobs should also lose their health insurance.

Here in Boston we have some of the finest medical facilities of any health care system in the world. Our teaching hospitals are superb, providing state-of-the-art medical care. A network of community health centers provides primary care, health promotion and disease prevention activities. The State's free care pool provides coverage for hospital services for many who would otherwise be unable to afford the treatment they need.

Yet, as in most metropolitan areas across the country, the best in health care exists side-by-side with the worst. It is a scandal and a disgrace that this rich Nation continues to ignore problems such as high infant mortality, measles, tuberculosis, AIDS and other infectious diseases. Homelessness continues to plague the city's health system. And the State's continuing fiscal crisis makes every aspect of our health care crisis worse.

Uninsured persons delay treatment because they cannot afford to pay. Yet early treatment can regularly avoid more expensive care or hospitalization. In the most traumatic cases, delays in treatment because of lack of access to decent care become matters of life and death. Every day, needless tragedies are happening to families because we refuse to make reasonable preventive care a matter of basic right for every citizen.

The escalating cost of health care burdens our entire economy. Corporations are increasingly cutting back coverage for workers in order to shore up their profits and preserve their international competitiveness. Total health care spending in the United States is 40 percent more per person than Canada, and twice as much as Germany and Japan. Unless we restrain these rising costs, we are not only pricing health care out of reach of American families—we are also pricing American business out of the world economy.

American auto workers have health care benefits comparable to those in Japan. But in the United States, those health care benefits add $700 to the cost of manufacturing a car, compared to only $400 in Japan. American firms cannot keep doing business at disadvantages like that.

In recent weeks, fed up with the refusal of the Bush administration to take the lead in dealing with this crisis and meeting this responsibility, Senate Majority Leader George Mitchell and I have

proposed a comprehensive reform called HealthAmerica. The basic concept is called "pay or play". Every employer would be required to provide at least basic health insurance benefits for workers and their families, or else pay a percentage of payroll for the cost of comparable coverage under a public plan.

Our proposal eliminates the worst faults of the current system. But it preserves the essential public-private partnership that is still the real strength of American health care.

The broad thrust of the program was recently endorsed by two distinguished former Secretaries of Health, Education and Welfare. One, Joe Califano, is a Democrat; the other, Elliot Richardson, is a Republican, well-known to all of us in Massachusetts.

Some say that the time is not ripe for national health care reform. Certainly, that is the attitude of the Bush administration. They claim that greater consensus is necessary before action can be taken. I believe that they are wrong. The consensus is already there among the American people. We cannot afford to wait any longer.

If Congress has the courage to go forward, the Bush administration will catch up. They can't beat something with nothing—and something must be done.

Massachusetts has already taken bold steps toward universal access for its residents. But the costs are exorbitant because we are forced to deal with the current flawed system as it is. Those who have been through the searing budget debate in the Commonwealth in recent months know how much Massachusetts stands to gain from a sensible national approach. If I have anything to say about it, Federal help is on the way.

Today's hearing will develop many of these themes, and I look forward to the testimony of our distinguished witnesses. But before we begin, I would like to thank Dr. Buchanan, Dr. Durant, and their staff at the Massachusetts General Hospital for hosting this hearing, for the assistance they have provided with the arrangements, and most of all, for their leadership in seeking better health care for our city, our Commonwealth, and our Nation.

We welcome our first panel this morning. Our witnesses are all residents of our State who have experienced first-hand various problems plaguing our health care system. In this sense, we truly have a panel of experts sitting before us.

Our panel includes Mike Burke and his father, Tom, from Duxbury. Mike is a diabetic. His part-time job as a radio announcer provides no health insurance. Because of his reaching his 24th birthday, which I understand is today, Mike will no longer be able to receive coverage under his father's policy. The Burkes will be talking about their family's difficult search for new health coverage for a member who has a pre-existing health condition like diabetes.

Our second witnesses are Karen and Robert Nickerson, from Bridgewater, MA. The Nickersons will be discussing their experiences with the health insurance system since Roger was diagnosed with Hodgkins Disease, which led to the eventual loss of his job as a fine furniture maker. Karen and Robert are accompanied this morning by their lovely daughter Alysia.

Our third witnesses are Heidi and Curtis Chase from North Dartmouth. The Chases will testify about the difficulties they have

in maintaining health coverage for their family because one of their daughters, 13 year-old Erin, has epilepsy. The Chases will also talk about how their problems have been compounded by the recession, as Curtis is a self-employed real estate contractor. With them are their two daughters, Jennifer and Erin.

Our last witness is Rosemary Secor, a nurse practitioner from Cambridge. Ms. Secor is well-versed in the problems of the uninsured and rising health care costs and is a provider of care to many uninsured patients as the owner of a small business herself.

We thank all of you for being here. Let me just say at the outset it is never easy to talk about matters like family health care coverage. I think most of us recognize that these are really very personal matters, and it isn't easy to share the experience with others.

So I am mindful of our request to ask you to share your experiences with us on the Labor and Human Resources Committee. Our committee will be reporting out a bill in September which will incorporate the features of HealthAmerica. We will report out a full and complete bill if necessary. And we have the assurance of the Senate Majority Leader that we will get a vote on health care.

So we will finally have accountability by members of the U.S. Senate and hopefully the House of Representatives as well, and I can assure you that your testimony and the examples that you give will be very helpful to me and to the other members of the committee in making the case to the Senate. I believe the American people are well ahead of the Senate of the United States on this issue, with many others, I might add, and we are very grateful for your appearance today.

We'll start off with you, Mike.

STATEMENTS OF MIKE BURKE, WITH FATHER, TOM BURKE, DUXBURY, MA; KAREN AND ROBERT NICKERSON, WITH DAUGHTER ALYSIA, BRIDGEWATER, MA; HEIDI AND CURTIS CHASE, NORTH DARTMOUTH, MA; AND ROSEMARY M. CLARKE SECOR, FOUNDER, DIRECTOR, AND SENIOR CLINICIAN, NURSE PRACTITIONER ASSOCIATES, CAMBRIDGE, MA

Mr. MIKE BURKE. Thank you, Senator.

As you said, my birthday is today, and with my 24th birthday my coverage runs out as of midnight last night. What that means is that now we have to start paying through the nose for diabetic supplies, which include insulin, syringes, and blood glucose monitoring equipment. The blood glucose monitoring itself costs an average of $150 to $200, which is replaced about once every year or so to keep up with accurate monitoring.

Insulin itself, for a bottle about that big, is about $15 a bottle. I have two insulins that I use, and I go through about four bottles, both types, twice monthly, so that will be $60 a month that I will be dishing out.

Syringes, which I replenish about every 5 weeks, will run a cost of $30–$40.

Before me, I had a sister who passed away from diabetes a little over 2 years ago. In her case, she had the complications of neuropathy, and kidney disease. She was on the insulin pump at the time, and our coverage—my father and mother's coverage—did not cover her for the insulin infusion pump, which cost the family about

$5,000. Supplies for the pump ran about $240 every 10–12 days, which included insulin, two types of syringes, one that was inserted into the body itself and one that was in the pump itself also. She also went through laser surgery many times, at a cost of about $35,000 to the family over the course of 4 months.

Eye exams—our insurance would only cover one exam every 2 years. The exams and checkups that were needed every few weeks were running about $100 per visit.

With her kidney complications, ongoing hospital and lab exams ran about $100–$200. With that, we did have 80 percent coverage, but the ongoing lab tests and hospital stays were increasingly hard on the family.

She also had trouble with her heart because of the diabetes, and those tests ran about $200 every time she went through those.

Her neuropathy, which is a nervous system disorder brought on by the disease diabetes—the meds and testing for that ran anywhere from $200–$300 every month.

Monthly visits to her primary care doctor were about $200–$300 every visit; she visited the doctor two or three times every month.

That was very difficult on our family financially because of the lack of coverage, and now, with my 24th birthday today, my coverage runs out, and now we have to start paying basically through the nose because I do not have coverage and can no longer get coverage through either of my parents.

The CHAIRMAN. Your father, Tom Burke, is here with you today. Tom, as I understand you came to the United States from a place I have some familiarity with, and that is Ireland, a few years ago, from Mayo.

Mr. TOM BURKE. That's right, Senator.

The CHAIRMAN. How old were you at that time?

Mr. TOM BURKE. Seventeen.

The CHAIRMAN. How many children do you have?

Mr. TOM BURKE. Three—we have two now; our daughter died in 1989.

The CHAIRMAN. And you are a mason; is that right?

Mr. TOM BURKE. Yes, sir.

The CHAIRMAN. And how long have you been working at that trade?

Mr. TOM BURKE. Since I arrived here.

The CHAIRMAN. And the coverage that you have had that has covered Mike at least until today is part of the coverage you have as a mason; is that correct?

Mr. TOM BURKE. Yes, sir. It is a health and welfare plan. In most cases, it covers only 80 percent, and when there are accumulating bills, that other 20 percent does hurt.

The CHAIRMAN. It adds up.

Mr. TOM BURKE. It sure does.

I would just like to say one thing, Senator.

The CHAIRMAN. Certainly.

Mr. TOM BURKE. I am old enough to remember your brother President John. He inspired this Nation to get the space program going and put a man on the moon. Surely to God, in this country today, we can provide health care for people on earth in the United States.

I can put no dollar value on what I have gone through these years, we as a family, because there is no price for a life; you cannot put a price on that. But certainly nobody should have to worry about their health or about having it taken care of. Press on. God bless you for your efforts.

The CHAIRMAN. Thank you very much.

Karen and Robert Nickerson.

Mrs. NICKERSON. Good morning. I would like to introduce you to my family—my husband Rob, my daughter Alysia, and I am Karen.

We are here today to inform you of the health insurance problems that many people are facing today who have a pre-existing illness.

Rob was diagnosed in November of 1987 with Hodgkins. He received radiation therapy and follow-up checkups. In April of 1990, Rob had a relapse. This time the cancer was much more throughout his body. It had entered into his bone marrow. Rob had been staged at a level 4. During this time, Rob was out on disability leave with anemic fevers. When Rob had received his first chemotherapy treatment, he spoke to his boss about trying to return to work as a rough metal supervisor of a fine furniture company. His boss gave him the runaround, saying things like this absenteeism would become a problem; he would need a letter from his doctor. Also, his boss said, "Stay home. Take it easy. Don't worry about finances. We'll keep the checks coming in."

A week later, Rob received a letter informing him he was terminated. He would receive 4 months of his health insurance paid for his severance package. Now, knowing what his boss was trying to do was keep Rob out on disability so when the company was sold they could legally terminate him.

In September, we were faced with having to pay for our health insurance. Knowing we were having financial difficulty, Rob's friend had offered him a job at a metal stamping shop. Only a week and a half after starting to work for his friend, Rob had a severe hand injury, losing four fingertips and crushing four other fingers.

At Rob's new job, he had applied for family health insurance but was denied due to pre-existing illness. In the meantime, our current insurance company raised their rates 33 percent; then again in January, another 33 percent—a total of 66 percent in just 5 months, now making our health insurance payment $491.54.

We applied again to another insurance company. Again, Rob was denied for pre-existing illness. Alysia and I were accepted with a much lower payment.

Right now, we are faced with COBRA running out this December. The previous owners of the company Rob had worked for have filed bankruptcy and have informed us when the staff falls below 25, they will no longer be offering the COBRA plan, leaving Rob to pay for an individual nongroup plan. The current insurance company at that time will evaluate Rob's health history for insurance premium rates. If this payment goes up any higher, we are not sure if we will be able to pay for our mortgage and Rob's health insurance.

We have currently received paper work on the Massachusetts Common Health Insurance that is offered for individuals who do not have health insurance. We are leery about changing insurance

plans because this program may be cut due to the State budget cuts. If this were to happen, Rob would be without insurance.

If there were universal health insurance, then individuals and families wouldn't have to face being denied health insurance and the financial hardships of high premiums. They could just deal with the emotions of being sick and getting the medical attention they need to get well, and not have to worry about medical bills to be paid.

Rob and I would like to thank you for listening to us. We hope that you will make some positive changes because anyone can become ill and have your whole life change.

Thank you.

The CHAIRMAN. Thank you very much.

Robert, I understand that your cancer now is in remission; is that right?

Mr. NICKERSON. Yes, it is.

The CHAIRMAN. And you have indicated you have tried, I guess without success, to find a private insurer.

Mr. NICKERSON. Yes. They said no one will touch me for at least 5 years. That is if I am clear for 5 years, too.

The CHAIRMAN. Well, statistically, as someone who has some knowledge of cancer myself from my son's experience, statistically that would have to mean you'd have to be completely cured.

Mr. NICKERSON. Yes.

The CHAIRMAN. And you're going to have other kinds of health needs in the meantime, so that's effectively stacking the deck, so to speak, with regard to setting a kind of barrier. You have other health needs as well.

Mr. NICKERSON. Yes.

The CHAIRMAN. How long do you anticipate it will be before you lose your COBRA coverage as a result of the company bankruptcy?

Mr. NICKERSON. The 18 months runs out in December of this year.

The CHAIRMAN. And you have been looking for a new source of coverage?

Mr. NICKERSON. Yes.

The CHAIRMAN. Have you had any promising leads?

Mr. NICKERSON. Just that one, but they keep saying that it may be cut, and we really don't want to lose the insurance that we have right now if they cut it before that point; if they don't, then we'll be forced to go over to that plan—which I hope they don't. Otherwise we'll be left with nothing at all.

The CHAIRMAN. You had a rather serious industrial accident, I understand.

Mr. NICKERSON. Yes.

The CHAIRMAN. Can you tell us what happened?

Mr. NICKERSON. I went to work for a friend who was trying to help me out because I had lost my job. I was there about a week and a half and got my hands crushed in a metal press break and lost four fingertips and the tips of four others. I ended up in the hospital for about a week, and then I was in rehab for about 3 to 6 months.

Since then, I have returned, and we've tried to get insurance with him through other companies, and no one will touch me. So we've just had no success in that.

The CHAIRMAN. What do you say to you?

Mr. NICKERSON. "You have a pre-existing illness." That's what they refuse you for.

Mrs. NICKERSON. Reapply in 5 years.

Mr. NICKERSON. You can reapply in a couple years, yes—if you are clear, you are fine.

The CHAIRMAN. Karen, you mentioned that you work for a bank on a part-time basis at night; is that right?

Mrs. NICKERSON. Yes.

The CHAIRMAN. And does your employer offer coverage for its full-time employees?

Mrs. NICKERSON. Yes, but not for part-time. And it has been very slow there.

The CHAIRMAN. Well, this is a new phenomenon that we are seeing developing all over the country. Employers are hiring on a part-time basis so they don't have to provide benefits, such as health insurance and retirement benefits. This effectively circumvents what has been a long-time part of the social contract about people being able to work for a living and being able to be secure in terms of their retirement and also in terms of, in a number of instances, their health insurance. But now that whole phenomenon is changing. We see it changing when there is any kind of difficulty in the workplace with the hiring of permanent strikebreakers without the other kinds of benefits for their employees. So there is a very dramatic undermining of the kinds of understandings which I think many working Americans have taken for granted.

Let's hear now from Heidi and Curtis Chase.

Mrs. CHASE. Good morning. We appreciate the opportunity to speak concerning our situation regarding health insurance for our disabled daughter.

Our youngest daughter, Erin, is 13 years old and is developmentally delayed and has had an uncontrolled seizure disorder since the age of 5 months. Since that time, Erin has been under the care of various neurologists at Boston Children's Hospital on an outpatient basis and has been hospitalized on several occasions.

Erin's severe seizure disorder during her first 9 years required that I be available for her at all times. In recent years, her seizures have become less frequent, but more severe. In 1985, I was able to take a secretarial position at the Dartmouth Mills School. I was able to do this only because they allowed me to leave work to take care of Erin whenever she had seizures. This position was part-time; therefore I was not eligible for benefits.

In June of 1990, I lost my position when the Dartmouth School budget was reduced. During the past 21 years, my husband has been self-employed in real estate and construction. He has been a member of the New Bedford Chamber of Commerce and through this affiliation he has qualified for group insurance coverage for our family.

We have seen our premiums increase from $50 per month to our current payment of $879.69 per month. This payment will be in-

creased again in the near future. We have not been able to obtain less expensive coverage due to Erin's pre-existing condition.

Although it has been difficult, we have managed to pay these high premiums, but now with the depressed economy, we no longer have the financial ability to continue. Erin's minimum medical expenses are in excess of $450 per month. That includes prescriptions and blood work only. This figure, while considerably lower than our current insurance premium, creates a great burden.

We have owned our own home for the past 19 years and now, due to business conditions, we have lost our home and are presently moving into a rental property.

During the past week, we have been attempting to obtain information concerning medical and prescription coverage for Erin. We applied for SSI assistance, and we were told that because we own land, even though there is presently no equity in the land, that this is considered an unacceptable resource, and therefore we are disqualified for assistance. If the resource we owned were a primary residence, we would qualify. Our home was required to be included as collateral for a business loan, and when the real estate economy worsened, our business could not survive.

SSI suggested we contact the local welfare office for health benefits only. We were again told we did not qualify for Medicaid for Erin because the land is considered to be an asset. We then contacted the Epilepsy Association of Greater Boston, the Epilepsy Drug Program, and a social worker at the Kennedy-Donovan Center gave me the telephone number of the Common Health Hotline.

We are presently awaiting applications to apply for assistance. Although the people we contacted were very knowledgeable and helpful, we are most concerned that we will not be eligible for any assistance for our daughter.

Our monthly medical insurance premiums have represented as much as one-third of our monthly living expenses. After paying medical insurance premiums for the past 16 years, we have considered having to live without insurance coverage at a time when we need it more than ever.

In conclusion, we certainly never expected to find ourselves in this situation, and we are thankful that you are looking into insurance problems which affect so many families.

Thank you again for allowing us to be heard.

The CHAIRMAN. Thank you very much, Heidi.

Let me ask you—and I meant to ask this of the Nickersons as well—what does this mean in terms of your family? What kinds of emotions does this conjure up when you realize you are going to need some additional medical attention for Erin, and you are seeing the escalation of your premiums—you talked about close to $900, and you expect that will probably be going up again. When you feel that kind of squeeze, what does it do to you and to your husband?

Ms. CHASE. Well, it applies a lot of pressure. It makes you fearful. We have two children. Our oldest daughter is 16. She is going to be a junior in high school this year, and she is going to be looking into colleges. We are worried about her future. And we have to provide for Erin for the rest of her life. It is very uncertain right now.

The CHAIRMAN. I imagine the same is true for Karen and Robert Nickerson, as well, that this kind of weighty burden in your own lives affects your family life as well.

So often when talk about the millions of people who are uninsured, we talk about them in terms of statistics and figures and what we are spending on GNP and health care costs, and that it is going to rise to $1.2 trillion by the year 2000. These figures are just so mind-boggling, and the crisis is really reflected in witnesses such as we have heard today. The reason that we wanted to come here for the hearing—we can hear from experts, and we're going to hear from Stu Altman, who is a nationally renowned resource on health care policy, and once in a while Stu will come down to Washington and testify for us—but we really want to hear from some people who can talk about the health care crisis as it really is, in a very moving and powerful way.

We're glad to hear next from Rosemary Secor.

Ms. SECOR. Good morning, Mr. Chairman and members of the committee.

I thank you for the opportunity to speak to you this morning. My name is Rosemary Clarke Secor. I am a certified family nurse practitioner, formerly of the Massachusetts General Hospital.

Seven years ago, I established a private nursing practice in Cambridge, MA, where I am the director and senior clinician. I am also an active member of the Massachusetts Nurses' Association and former co-chairperson of the State nurse practitioner committee.

I want to applaud you, Senator Kennedy, and your colleagues on the HealthAmerica bill. It contains creative strategies to help resolve the many problems of our current, ailing, health care system.

The nursing profession is also working very hard to develop a plan for health care reform. Together, we can develop solutions that will increase access, reduce costs, and ensure quality of health care for every citizen of this Nation.

Relative to your bill, S. 1227, I'd like to direct my comments to the following areas: Use of nonphysician providers; reimbursement for preventive services; insurance problems affecting access to health care; and small business implications.

First, my colleagues and I appreciate your bill's inclusion of nonphysician providers. We need more utilization of such providers in all systems of care. We have a proven track record of providing quality, cost-effective health care. Therefore, the health care system should increase further the utilization of such providers.

I have been concerned that any plan altering the current Medicaid system might inadvertently eliminate qualified providers such as nurse practitioners, who are now reimbursed through Medicaid.

In Massachusetts we have over 2,000 nurse practitioners in the expanded role with nearly 150 employed in one managed care system alone. We work in many different settings, providing primary care services to the citizens of this Commonwealth, particularly the underserved populations.

Next, your bill would mandate reimbursement for preventive services such as PAP smears and mammograms. This is long overdue. We also need to expand coverage to include more preventive services such as counseling and health education.

My next point relates to health insurance inadequacies in the current system. In establishing my practice, I have tried to create a health care system which would be accessible to patients. We offer sliding scale and free care to individuals as their cases require. Currently we do this without government subsidy.

Increasingly, patients are requesting some kind of sliding scale. This is due to loss of jobs, insurance coverage, lowered insurance benefits, and higher deductibles. Offering care to patients regardless of their ability to pay or get reimbursed creates a great financial burden on me as a small business.

In addition, though, patients who have pre-existing health conditions are being denied health insurance coverage altogether. This leaves whole families, as we have heard this morning, without essential coverage should they need hospitalization or any kind of medical care.

Such problems are affecting increasing numbers of middle class families. Access to good health care is no longer just a problem of the poor. To illustrate this situation, I would like to offer some patient examples from my clinical practice.

The first case involves a 40 year-old single mother with a 10 year-old son, both of whom have no health insurance. She does not qualify for Medicaid. Ten months ago I evaluated this woman for an episode of vaginal bleeding. At that time, I urged her to have an ultrasound and a biopsy. Despite my constant prodding, she delayed these tests, having the ultrasound 2 months ago, and scheduling the biopsy for several weeks from now. Numerous times she conveyed to me that the cost of such tests was why she was putting off having them. Hopefully, she does not have uterine cancer because a long delay in diagnosis and treatment may have major implications on her prognosis.

As a footnote, this same woman's mother died of breast cancer at age 43. It took me over a year, of again, near continuous prodding to urge her to have a mammogram. She said numerous times it was because of financial problems.

My next example is a 28 year-old female who is a freelance writer with no health insurance. She recently came to see me for a preventive checkup and a PAP smear, which she hadn't had in years, and some blood work. One test came back showing she might have a possible life-threatening blood-clotting problem. The hematologist that I consulted urged her to be immediately admitted to the hospital for evaluation and treatment. Upon my contacting her by telephone, the first words out of her mouth were: "Do I really have to go to the hospital? I have no health insurance." At a time when her only concern should have been for her physical well-being, she was worried about the financial burden.

My final example pertains to a 31 year-old female health professional who I have been seeing for over a year for ovarian cysts which cause her monthly pain. Being self-employed, she has been trying to obtain health insurance for over 6 months. Because she has this pre-existing condition, she is being denied coverage. It is very important that she obtain coverage soon because her increasing pain may necessitate exploratory surgery and expensive diagnostic tests.

Recently she asked me if I would do her a favor, and that is not disclose to the insurance company any details pertaining to this pre-existing condition. This is an ethical dilemma for me. I would like her to receive health insurance to receive the care she needs. On the other hand, it is illegal for me to withhold details from her medical records for the insurance application.

Obviously, S. 1227 would help to resolve many of these problems. These are not unusual cases. It is very upsetting to see such problems arise over and over again, causing patients great stress and anxiety.

Finally, let me speak to you as a small business owner. I presently employ seven individuals, one of whom is full-time. Even with this relatively small staff, the cost of providing health insurance for me is prohibitive. This bill would offer an alternative of contributing to a pool fund which would be at this time much more affordable for me and would allow me to offer coverage to all of my employees.

The phase-in program would also be helpful. I also like the idea of establishing a standardized billing system and a consortia of insurance companies. The current system can break the financial back of a small company. It is confusing, cumbersome, and very time-consuming.

In summary, I support this innovative legislation. It would begin a new era in providing health insurance to every, single American.

Thank you for the opportunity to speak this morning.

The CHAIRMAN. Very good. Thank you very much, Ms. Secor.

Could you comment on the testimony we've heard this morning, about how typical that is. We generally find that those who are opposed to the legislation say, "Well, you can find three or four witnesses in a State like Massachusetts, but really this isn't what is happening out on the front lines."

What can you tell us?

Ms. SECOR. I can tell you what is happening out on the front line is that every day I am asked increasingly to offer free care, sliding scale, and to lie about pre-existing conditions. It is not the exception anymore; it is the norm, and particularly with the economy the way it is.

So I have this daily burden of feeling that anxiety and pain that patients are suffering, such as those of you who have spoken this morning. That's why I feel strongly about being here today.

The CHAIRMAN. That is enormously helpful because we find that in all parts of our Commonwealth—rural areas, cities, bedroom communities—this is happening. And in many instances we find it is happening with very substantial unemployment, 9.7 percent—probably up to 13 percent if you include those people who have given up looking for any kind of job—they lose that health insurance very quickly as well. And even if they have the COBRA coverage, the idea, particularly if you have a family, that you are going to be paying the full premium is beyond belief. Even if they have some savings, those savings go right out the window, virtually overnight. And yet they are caught in that condition because of concern for their children and the well-being of their family.

When we look at the flow lines, as we'll hear from Stu Altman and others, that unless we do something, the flow lines are not

their use, to the most vicious and insidious form of insurance, which you heard about today, which is individualized, personal experience rating—which means if you are sick, you can't get health insurance; if you are well, no problem. That is the form.

Even insurance companies—and by the way, I am not here blasting insurance companies. They have been forced to do that to stay alive. It is the system that is a problem, not the insurance companies.

Then the business community. You have heard stories today about scores—and we have examples all over the country—of good, honest business people who have no choice but to drop coverage for their workers just at the time they need if, because if they continue it, they go out of business. I have talked to hundreds of people who work for large and small corporations that are all caught in a maze which we can't get out of.

Now, finally, for our hospitals and our physicians and our medical establishment—which, as you pointed out, is so important here in Massachusetts—look at what is happening. They turn to the insurance company to pay the bills, just at the time that people get sick; that's the time the insurance company is not there to pay the bills, which means they wind up with bad debts.

The 37 million uninsured pay none of the bad debts. We have 50 million others who are underinsured. Next, we used to count on government to pay the bills, but look at what has happened. In most States, State after State, the average payment for Medicaid is about 60 to 70 percent of the hospital's cost—this fine institution we are at today. The State of California, 60 percent. There are some States as low as 50 percent. Even the Federal Government—as you pointed out, I chair the commission that oversees how Medicare pays hospitals. We are now down to 90 percent. In other words, 10 percent of the costs that a hospital says they bear for treating Medicare patients are not paid for by the Federal Government.

What does that do? It shifts all of those costs onto the few of us who are still insured. As a result, 30 percent of the increase in premiums last year for the average insured patient was simply the shifting of the costs that others were not paying. As a result, more and more businesses, small and large, recognize that if they don't do something, they too face financial catastrophe.

Finally, that group that is the most hurt by this plan are the employers that several of your witnesses work for—the small businesses. It is that group that cannot get away from this shifting of costs because they are at the bottom end of the shifting stream.

For all these reasons, Senator, the plan that you, Senator Mitchell, Senator Rockefeller and Senator Riegle have put together is, in my view, the only alternative for our country.

There are two others that people talk about. We call it the Canadian-type plan or Medicare-for-all. The massive shifting that that would entail in terms of financing and people working now for the private sector who would wind up in the public sector is so huge that the political reality of that is about that big. So people who mean well by it, by pushing that plan are actually hurting us because they are diverting us from the only legislation in my view that can work, and that is a HealthAmerica-type plan.

going to get narrower; they are getting more costly. There are going to be more people and families who are going to be put into these circumstances. I just don't know how people can do it.

As I mentioned earlier in the hearing, we're going to get a vote on universal access to affordable health care, and I certainly hope that those who oppose it will at least have the good sense not to come over to the Senate dispensary to get their health care needs taken care of. I mention that in a rather facetious way, but I just feel very strongly about it.

I thank all of you very, very much for being here. As I mentioned earlier, it is never easy to talk about these issues, and the best way that I can thank you is to continue the battle. We have been battling a long time, but we will get some benchmarks and hopefully get a downpayment on this.

I am convinced that this issue is similar to the plant closing legislation, where finally we got it up in position for a vote, and it just took off like wildfire across the country, and people were wondering why it took us so long to enact it. I think that that is what this battle is all about, and we're going to do everything we can to achieve it, for you and for families all over the country.

I want to thank you all very, very much for being here.

Our next witness is Stu Altman, whose many years of experience in the field of Federal health policy makes him one of this State's and the country's leading health care policy experts. He is the interim president and dean of the Florence Heller Graduate School for Social Policy at Brandeis University and is currently serving as the chairman of the Prospective Payment Assessment Commission, ProPAC, which is the congressionally-legislated panel responsible for overseeing the Medicare hospital payment system.

We are delighted to see you, Stu, and welcome you back.

STATEMENT OF DR. STUART H. ALTMAN, INTERIM PRESIDENT, BRANDEIS UNIVERSITY, AND CHAIRMAN, PROSPECTIVE PAYMENT ASSESSMENT COMMISSION, WALTHAM, MA

Dr. ALTMAN. Senator, thank you.

It has been 20 years this month that I first appeared before your committee to discuss this issue. I know there is no one in this country who has worked harder to see this type of legislation passed than you have, and I too am optimistic that maybe the rest of the country will finally realize just how important it is.

It might be helpful just to summarize what has happened in the last 20 years because of the failure to pass such legislation.

First of all, the uninsured have grown from 10 to 12 million to, as you said, 34 million—there are estimates of 37 million. I am convinced that when the numbers are finally in for today, the number could be closer to 50 million.

Second, where most of us as middle class people who have had health insurance and felt comfortable could rely on our health insurance when we needed it, I think the examples that you have heard today are testimony to the deterioration, if not close to total collapse, that our health insurance system is in today.

We have moved from a system where all of us were insured as a community in the Thirties, Forties, and Fifties, to what we call "experience rating", where every large group was insured based on

In my view, there is no alternative, and the alternative that will result for not passing HealthAmerica is nothing. We'll catch up here and there, and we'll pay a few extra bills here and there, but to the extent that my 20 years can tell you anything, if we don't pass a HealthAmerica-type plan today, 20 years from now a new Stuart Altman will probably be talking to you again, telling you about this problem.

Finally, you talked about how your plan would work, and I think it is just right. It maintains the employer-based system for those who can afford it; it builds a government system for those who cannot; it says to employers if you can't make the payment, you can help contribute. It is the right balance. But there is something else that is very important.

American business and American labor will not support a plan that is just an open-ended spigot for money going into the health care system. We spend $750 billion today. We will spend $1.7 trillion by the turn of the century. It is already consuming 12.5 percent of our GNP. When you and I started, it was 6 percent. By the year 2000, it will be 15 percent.

Now, people ask me what does that mean, what does 15 percent of GNP mean? Who knows? But I'll tell you what it means. It means that increasingly we as a society cannot deal with other human service problems. You, the Congress, our State legislatures, spend more time worrying about one issue—paying for health care—than they do all the other issues. Fifteen percent means for many people 30 and 40 and 50 percent of their budget, because it doesn't fall equally.

This huge burden has to slow down. So we have a twin problem. We need to provide universal access, which I think HealthAmerica does. But we also need to do it in a cost-effective way.

I am pleased to see all the cost containment proposals that you have in your plan, particularly this new technique that you have introduced, which is to create a Federal Reserve-type board at the national level which brings together all of the major groups under a set of guidelines that says we want national protection for everybody, but we want the rate of growth in spending to be in line with our national income. No sector should have an open blank check to be able to write in any number they want, and basically that's what the health care sector has today.

I like this idea of a national board. I had proposed that it might be tougher, mandatory, but I can appreciate why the bill does what it does—because it allows doctors, hospitals, insurance companies, business to come together in a less contentious way. And I appreciate the idea that what you have said to them in this bill is we will give you a shot of working through it voluntarily, but bear in mind if you can't get the rate of growth in spending in line with our national income, we are going to make this mandatory.

That seems to me to be the right approach. Also—let's face it—this is a complicated piece of legislation to put forward. I have worked in this field for a long time, and making such a system work is not easy. I for one, if I were in that position, would like the ability to do it more slowly than being forced to do it right away.

This system has worked in countries like West Germany. It has worked in other European countries. Now, I am not advocating their system for ours—but to say that we can't learn from those systems is the worst form of blindsided view about what is good in America and what isn't.

This is a good plan, Senator, and I can't tell you how much in support I am of it. If there is anything I can do to help to pass it now, I am all with you, and I wish it had been done 20 years ago.

Thank you.

[The prepared statement of Dr. Altman follows:]

PREPARED STATEMENT OF DR. ALTMAN

Good morning, Mr. Chairman, thank you for inviting me to testify before you this morning on this most important social issue. Reform of our health care financing system has never been more important. Evidence is mounting that unless something substantial is done and done soon, the basic underpinnings of the way we finance our $750 billion health care system could collapse. No longer is the problem focused entirely on the social disgrace that almost 40 million Americans have no protection against the costs of very high medical bills. Today, millions of middle income Americans, most of them working, fear that when they need it, their health insurance protection will not be there.

In survey after survey Americans indicate that they dislike their health system more than citizens of Canada, Great Britain, or West Germany. This dislike is not directed toward their doctors, or the high quality of our hospital system. It is based on fear that our health financing system will not provide the protection it should, and on the extremely high cost of our medical care, which is 50 percent to 100 percent more expensive per capita than the care available in these other countries.

Let me state up front that I support the basic structure of the "HealthAmerica" proposed legislation. My support is based on an appreciation of the many problems in our current health financing system and what this legislation could do to remedy these failings. It is also based on my support for putting in place a strong and effective system for controlling the rate of growth in health spending. Here too I think the legislation that you are cosponsoring includes the necessary mechanisms for dealing with this complicated problem.

WHAT IS THE PROBLEM?

First, with health spending absorbing more than 12.5 percent of GNP—we face a threat that this escalating growth in health care spending which is projected to reach 15 percent of our GNP by the year 2000 will take away our capacity to provide many other personal and societal needs. While this in itself is a serious problem, we now face the additional problem that the magnitude of our health spending—$1.75 trillion by the year 2000—will lead to the disintegration of the financing system that we depend on to pay for health care.

The voluntary health financing system that we put together during WWII, which relied on employer sponsored health insurance, is breaking down. This "voluntary compact" between business and labor unions formulated during a period of business expansion and high employment was designed to be a modest cost fringe benefit. With business able to control the extent and benefits structure of the package, unions were also able to claim success in their efforts to gain generous benefits. Moreover, for everyone with a stake in health care, this financing system was ideal. Physicians, hospital managers, insurance companies, the insured workers and their families all benefited. And when partnership with government health programs for the elderly and the poor were added, the number of the uninsured by the early 1970's was at an all time low.

With hindsight it is clear that we lived in a state of euphoria—to have assumed that with time and the rapid expansion of our health care system, the number of Americans without insurance would keep getting smaller and that spending for health services would not grow beyond our means to support it—was clearly naive. All that has changed. Today, in addition to the 37 million uninsured—and I would venture that almost everyone in this room knows personally of someone dealing with the nightmare of no health insurance coverage—we face the real possibility of a major breakup of our voluntary employer based insurance system. Beginning with the decline of the rust belt and the movement of many manufacturing jobs off the

mainland to today's severe economic problems, we are seeing the break-down of this voluntary business-labor compact.

Employers are looking to reduce all business expenses, and health insurance, which is often the fastest growing segment of their total costs, is a major target. They are limiting benefits, they are excluding certain types of high cost illnesses, and often are pulling away from covering non-working family members. In more and more instances, businesses have decided to drop health insurance for all employees—forcing workers to seek health insurance on their own—a formidable and expensive option. These actions are not the result of insensitivity by business executives, rather they often are the last action they take to head off the total failure of their company. It is ironic that we ask those who are the least able to afford it—small low income firms—to pay the highest per worker premiums for basic health protection. Faced with such an option many no choice but to not provide coverage.

Insurance companies which in the past provided business with a variety of new options to please their employees, are no longer able to extend the range of benefits, pay higher and higher bills, and retain manageable premiums. They seek to become more selective of who and what they will cover. So from the comfortable stance of offering health insurance to all comers, companies are now being forced to turn to techniques that they don't even support, which are designed to limit their premium liability. These new techniques are based on several forms of "individualized experience rating," where rates are based on the predicted health costs of an individual, rather than on the "compact" that included everyone. No one concerned about the important human service of health care can be happy about this "vicious" practice of individualized experience rating.

Government—both federal and state—which has been a champion of helping to bring health insurance to the elderly, the poor, and the disabled, now faced with growing numbers under their protection and increasing costs has had to use its market and legislative powers to restrict spending and restrict services. Several state Medicaid programs are now paying far less than hospitals claim it costs to provide these services. In some areas, such as California, Medicaid payments to hospitals average only about 60 percent of the costs of the care. Even the Federal Government is now paying hospitals only 90–95 percent of the cost of the average Medicare patients, more than half the hospitals are losing money on Medicare patients.

The bottom line is that hospitals, facing a growing number of uninsured or underinsured patients are unable to count on larger government payments. In order to cover costs, they "shift" costs and add surcharges on to private patients. In 1991 almost 30 percent of premium increases for private insurance were these extra charges. this adds fuel for business to further cut back on their health insurance coverage.

There are no more deep pockets to count on to finance the millions of uninsured and underinsured as well as underpayments by government. Instead, we need a comprehensive restructuring of our financing system where all will share in this burden, and an effective program to control the rate of growth in future health spending.

Possible Solutions

In my view, there are three possible solutions:

The first is a total government take-over as exists in Canada, where the system is financed by government which collects the taxes for health care and pays the bills.

The second is a "HealthAmerica" type proposal, which builds on existing arrangements, relying on private employer-based insurance for the protection of most individuals but calling for greater government involvement.

The third, is an effort to patch up our existing system with attempts by the government to fix market imperfections, expand Medicaid and stimulate market incentives to control health care costs.

I think that efforts devoted to patching the system will not work. the holes are too large, the problems are rapidly worsening and I believe even if the patches were put in place we would still see millions of Americans without coverage while health spending continues to rise faster than our national income.

On the other end of the spectrum, I do not see a total government system as a feasible alternative. Not because it wouldn't work, but because it would require such a massive redistribution in who pays for health care and shift thousands of jobs from the private sector to the public sector that it is not politically acceptable in the current U.S. environment. I also happen to believe that over time it would lead to a deterioration in the overall quality of our health system. Besides it is a radical alternative that is not necessary.

I turn then to "HealthAmerica" which, with hindsight and foresight is a well designed example of the only likely politically acceptable alternative that can do the job.

HEALTHAMERICA

"HealthAmerica" is a health care reform proposal that in my view seeks to stake a balance among all of the interest groups. In discussing the proposal I quote from Henry Aaron, the well respected health economist, who reminds us in his most recent book, *Serious and Unstable Conditions: Financing America's Health Care' that "the task of reformers should be to find politically acceptable ways to improve the current system, not to argue what might be the best system if current arrangement did not exist."*

The cornerstone of HealthAmerica is the requirement that all employers either make available an acceptable type of health insurance coverage to all their full time workers or pay a wage based tax into a government fund from which such uninsured workers can be protected. As you know, Senator, I am not a recent convert to this type of approach. A variant of this method of covering all working Americans was included in President Nixon's Comprehensive Health Insurance Plan, which I helped draft in 1973. My continuing support of this approach is based on two fundamental beliefs in addition to its political appeal.

(1) There is real value in keeping as much of our health care system as possible close to the individuals involved. If we shift the responsibility of paying for this highly personal service to a distant government body we lose an important linkage between the patient and his/her doctor or hospital. In some circumstances such a shift is unavoidable. But where it is not, we should try to preserve its personal character.

(2) A critical component of any national health plan is how effective it will be in controlling health costs. This is not an easy task and needs all the allies it can get to make it work. By keeping the system employment based and allowing some variation in premium it provides incentives for patient and employers to help in the task of slowing the rate of growth in health spending. As a former Federal health care regulator, I know first hand how important it is to have friends close to the point of the actual use of services.

There are many important elements of HealthAmerica that deserve special attention. Among these none is more important than how to plan would operate to slow the rate of growth in health spending. I think we have passed the point where anyone would support a reform of our health system which does not put a serious break on a spending mechanism that continues to grow twice or three times faster than our national income.

Among its many elements that are designed to control health care spending the proposal sets up a system of Federal and State agencies to oversee the nation's health care expenditures. While such a system would be unique for this country, variations of this plan have worked in other countries. The Board at the Federal level would represent the interests of the public at large and would set goals for total aggregate expenditures on health care and its major segments. I'm particularly intrigued by the use of separate negotiating units under the Board which would include the major payor and provider groups. Such negotiating units would be charged with developing payment systems that would implement the broad goals of the Board. As an alternative States could set up systems to achieve the same goals. Such a state system would coordinate the rates that different groups pay for the same service. One feature of our current approach to paying for health care is that each of the major payor groups tries to limit its expenses even if it means higher costs for the weaker groups down the line. Hopefully the state units would end such practices.

We should applaud and support a mechanism which gets all the interested parties around the table with the goal of universal health insurance coverage that will not continue to fuel inflation of health care costs.

There are those who support the Expenditure Board approach of HealthAmerica, but want it to be stronger, to have the power to enforce its recommendations and to establish a cap on total health care spending for the nation. I must admit, Mr. Chairman, that I have been one of them. Nevertheless, I can appreciate why this plan stops short of these tight controls. By doing so it leaves more flexibility in the system for individual initiative on the part of states and employers to develop new techniques for balancing access, quality and costs. It also brings to the table in a less contentious manner all the major provider and payer groups, but warns them that if this more flexible system fails, Congress can make the recommendations of the Expenditure Board mandatory.

By focusing on the Federal Expenditure Board I don't mean to minimize the importance of the other cost containment features of the plan. I'm particularly supportive of the need to eliminate unnecessary or ineffective care and to reduce the administrative expenses of the system. Provisions of the plan would certainly move us in that direction.

AID TO SMALL BUSINESS

Finally, and perhaps most importantly the plan attempts to confront the issue of how to assist small business. Every study of the uninsured points up the fact that the size of the firm is a key factor as to whether it offers its workers health insurance coverage. Whereas only 2 percent of firms with more than 100 employees do not offer such protection, almost 75 percent of firms with less than 10 employees do not offer coverage. Reasons for not offering such basic protection focus on the extraordinary high cost of such coverage for small employers particularly in relationship to the lower wages paid by such firms. As I said previously, one of the insidious aspects of our current system is that it is just those firms that can afford it the least that are required to pay the highest premiums. I know that there are some representatives of small business that condemn any plan which requires them to offer basic health insurance coverage. It is hard for me, however, to imagine another type of proposal, which is not totally paid for by taxes, that will really address the health care financing problems of the country and that provides a more balanced approach for small business than HealthAmerica.

In the remaining allotted time, Mr. Chairman, I will turn to Massachusetts which has special importance as we study the HealthAmerica proposal.

Massachusetts is an acknowledged leader in the health care world. Its hospitals, medical schools and research efforts benefit all of us. There is a responsibility to see that this national resource continues to function. There is also a responsibility to assure the business community and the residents of Massachusetts that the money it spends for health care is money well spent.

The financial recession in the Commonwealth as you well know, has been severe. Some attribute part of the problem businesses face in Massachusetts to the very high health insurance costs of the state, others credit the health sector for staving off an ever more serious economic decline. It seems to me that both are correct, and both could benefit with the passage of the HealthAmerica legislation. For the health sector it puts into place a more secure financing system that will insure the financial viability of the industry for years to come. Without such a plan the health sector could become our next S&L industry. But the financial security of the health care sector should not come at the expense of an unacceptably large burden on the rest of our economy. The cost containment provisions of the plan are designed to ease this burden.

It is therefore not surprising that Massachusetts developed and passed the most comprehensive and balanced state health financing system in the nation several years ago. While the current state economic crisis has put off the full implementation date, the legislature has rejected attempts to repeal the law because they realize its importance to both our health care industry and the Commonwealth's economy. Passage of HealthAmerica would make the state law unnecessary and would ease some of the unavoidable economic burdens. Estimates suggest that at least half of the added state expenditures would be shared with the Federal government under the HealthAmerica plan. It also would not single out business in Massachusetts with any unique burdens as we attempt to balance the burdens of funding our health system.

There is much more that could be said both about the need for this legislation and the problems we face without it, but I realize the limitation of time at this hearing. I stand ready to work with you and others in helping to make reform of our health care system a reality.

Thank you, Mr. Chairman, for the opportunity to discuss this most critical issue.

The CHAIRMAN. Thank you very much, Stu.

Let me ask you about the cost containment provisions which include insurance market reform, provisions to reduce unnecessary care and administrative costs, and the Federal Health Expenditure Board to try to begin the process of negotiations between providers and consumers. At least it was my impression in here that the providers understand that this is really the last chance before some kind of real collapse of the health care system, particularly given

the additional kinds of burdens to the health care that we're getting from substance abuse and AIDS. So they have an interest. I think that insurance companies understand this is really their last chance as well. There is also downward pressure on consumers in terms of keeping control of costs.

So in the board, I think rather uniquely, there is a different dynamic for having a real, true negotiation and downward pressure in terms of costs.

I would just throw that out as an observation to get your reaction.

Dr. ALTMAN. Well, I like you have spent many hours with the various provider groups, the hospitals and the physicians. And like you, I have noticed a sea of change in their attitude. As early as a year ago, costs were not a problem; we should just have access; we need universal access. Now they recognize, as you said, that this really is their last chance for some meaningful—and I want to emphasize meaningful—legislative change, short of a total government takeover.

This kind of panacea that by sort of patching together the market here and fixing up a little here, we can solve our problems, anybody who has really spent time in this industry knows that won't work. So really, the only alternative to a plan like yours is a total government takeover.

Now, I don't say that in the most negative of terms, but I am convinced, as I think you are, that not only politically it wouldn't work, and not only that, I think it is bad for our health care. It is important if possible for health care to be as close to the individual as possible, and there is a lot of value in our system.

Now, there are still a lot of people out there in the United States, as you know well, who are just blind to this or are making so much money on it that they don't want to hear about it, and they are powerful forces preventing these kinds of changes from taking place. But I hope, as you pointed out, that enough physicians and hospital administrators—and I have talked to many of them—will realize that it is in their interest—in their interest—that we come up with an effective cost containment plan because the alternative is going to be far worse.

The CHAIRMAN. Are there lessons from your work with the Medicare program and ProPAC that you think are relevant to these kinds of problems?

Dr. ALTMAN. Yes, there are, and they are both positive and negative. For those people in the audience—you may not know—Medicare in 1983 passed a new way of paying for hospitals which basically say we're not going to pay you your costs; you are going to get a fixed amount of money per procedure, and you know what it is, and you have to spend your money accordingly. It is a budget, like every one of us have to live by. And in fact it has brought about a number of positive changes on the part of hospital administrators trying to work within the budget. So in that sense it has been positive.

The negative of it is that we also know that as long as there are a lot of different spigots where the money comes from, if one of them slows down, the natural tendency is to go for the next one. And not so much in Massachusetts, but in other parts of the Unit-

ed States, when Medicare cut back a little, they just increased the extra costs onto the private sector.

So what I learned were two things: These kinds of controls can work, but they can't be piecemeal. They need to be comprehensive. And that is what your plan does, and that is what I think is critical to make this system work. We need to have a comprehensive, universal program. I think the one that Massachusetts put together would work, but believe me, I think asking a State to do it, faced with an array of States around it that do not do it, is asking a State almost at times to commit economic hari-kari.

This is a Federal program, and I think it requires Federal legislation.

The CHAIRMAN. Well, you've answered one question which is that some of our colleagues think we ought to have a lot of experimentation in the different States and then see what works, and I think you have referenced what would probably be the result if you have one State trying to ensure universal access and a sea of other States that are not prepared to deal with it in a comprehensive way.

Could you outline just briefly what you think the impact of AmeriCare would be on Massachusetts, and how would our State benefit?

Dr. ALTMAN. I think our State would benefit in several very important ways. First of all, health care in this State is very important. I don't think it is saying too much to say that we have the finest hospitals and medical care system in the world. You can see that by the number of people who come here. It is the largest employer in Massachusetts. It is financially on a very rocky foundation. It needs a HealthAmerica type plan to shore it up. Right now it is sailing high, but underneath it are the stories you heard.

So first and foremost this plan is good for the health care sector. But we also have the highest health insurance premiums in the world here in Massachusetts, which is not good for our business community. HealthAmerica can and should bring about a rate of growth in health care spending which is much closer to our national income so that the business community can budget for it in the future.

Finally, the Massachusetts plan alone requires substantial extra payments on the part of the State of Massachusetts alone. HealthAmerica would allow the Federal Government to share in that responsibility. It should be a national responsibility, not a State responsibility. So for the health care community, for the business community and for us as citizens of Massachusetts, this is a much needed piece of legislation.

The CHAIRMAN. OK. Thanks very much, Stu. We really appreciate it.

Dr. ALTMAN. Thank you, Senator. It is my pleasure.

The CHAIRMAN. We look forward to keeping in contact with you as we move ahead. Thanks.

Our third panel includes two individuals representing two different ends of the business world, but similar in that they are both experiencing first-hand the devastating effects of rising health care costs.

Jim Ansara is the owner of a Boston-based construction company, Shawmut Design. Mr. Ansara's company is doing better than most in the construction industry in these tough times. In fact I understand Shawmut Design is currently design in the restoration projects being done on Newbury Street in Back Bay.

As the owner of a growing medium-sized business, Mr. Ansara will be discussing the difficulties he faces in insuring workers in an industry that many insurers routinely redline.

Sandra Felder is president of Local 598 of the Service Employees International Union, AFL–CIO. Ms. Felder represents some 10,000 members who serve our State, performing valuable roles in health care, building services, and other important human service sectors.

Today Ms. Felder will talk about how the effects of runaway health care costs are eroding the wages of the members and why the need for comprehensive health care reform cannot be put off any longer.

Mr. Ansara.

STATEMENTS OF JAMES ANSARA, PRESIDENT, SHAWMUT DESIGN AND CONSTRUCTION, BOSTON, MA, AND SANDRA FELDER, PRESIDENT AND EXECUTIVE DIRECTOR, LOCAL 509, SEIU, AFL–CIO, BOSTON, MA

Mr. ANSARA. Thank you, Senator.

I am president and founder of Shawmut Design and Construction, a construction company located in Boston, with annual revenues of approximately $25 million. I am also in my third year as a trustee of the Massachusetts Carpenters Health and Welfare Fund.

I do not claim to be an expert on the health care system or the accompanying politics that go with it. I do know business. And from my vantage point as a small business owner, I'd like to make some comments on the health care crisis. I appreciate the opportunity to share my opinions with the committee.

Shawmut was founded in 1982 and has experienced phenomenal growth over the last 9 years, now employing on average 85 persons. We were named one of the 15 fastest growing private companies in New England for 3 years and rated among *Inc. Magazine's* 500 fastest growing companies for the last 5 years.

One of the most critical factors in my company's growth and success has been our ability to attract and keep a highly skilled, motivated, and productive work force at all levels in the company. We have been able to do so in large part due to our willingness to provide excellent benefits—especially health benefits—for our employees and their families.

Shawmut provides its employees with a comprehensive health plan that is 100 percent company-funded. This costs us approximately $3 per employee hour. This is a very significant contribution and one that very few small businesses can afford.

Across the Nation, businesses that offer health care benefits are being dangerously impacted by exorbitant health care costs. We are funneling an inordinate amount of money into an uncompetitive, inefficient system. One of the factors crippling America economically is our attitude of complacency and our resignation to bureauc-

racy and inefficiency. Nowhere is this more evident than in our system of payment for health care.

I believe the solution, or a potential solution, lies in the Federal Government taking extremely bold measures. I would strongly suggest that Congress undertake a complete restructuring of the health care delivery system in order to institute stringent cost containment measures. Central to this restructuring would be enactment of a federally-mandated, single payer system of health care delivery.

I am not advocating that we blindly adopt a Canadian model or any other existing model, for that matter. What I am advocating, however, is that we build our own model that does not impair the level of quality or accessibility of our current health care institutions, but which restructures the payment system to substantially address skyrocketing costs.

The reasonable cry of the pragmatists is that someone must pay. This is true. However, we cannot burden small business with charges for a system that is out of control. Many small businesses currently struggle just to pay their rent and phone bills, and the idea of adding additional costs to this would be very damaging. This is not a time when we as a nation can afford to dampen entrepreneurial initiative or stunt the growth of small emerging companies.

It is logical why businesses that are currently paying for health care for their employees would support such an initiative. There are, however, some gross misconceptions among small business which do not provide health coverage. In my opinion, there is a false belief that these companies are not affected by the crisis, and they mistakenly believe they are saving significant amounts of money by not providing health care benefits to their employees.

What is not taken into account is the loss of revenue due to lower productivity, decreased job safety, lower quality in service or in product, turnover, and the associated training costs. Additionally, low employee morale or dissatisfaction due to inadequate compensation has proven time and again to be incredibly costly to business. A federally mandated single payer system would serve small businesses by safeguarding the productivity and morale of their workers.

I believe the HealthAmerica bill is a bold initiative toward addressing the health care crisis. I strongly support the passage of this legislation as a tremendous first step toward a complete restructuring of the health care delivery system. But again I must repeat that without a complete restructuring, I feel that stringent cost containment measures cannot effectively be implemented.

Without the realization of savings resulting from cost containment, businesses large and small will be faced with a grim choice of either economic strangulation or avoidance of compliance with the health care payment system.

Economic motives aside, I personally believe that in the same way that every American is guaranteed a publicly funded education to enable them to become productive members of society, every American should be guaranteed access to the world's best hospitals and medical professionals which we are fortunate enough to have.

I applaud your work toward a long-term solution that will work both socially and economically. I feel again that this bill would go a long way toward addressing that—and I don't claim to understand the politics involved, but I can certainly appreciate how difficult it will be to win this battle. I applaud your efforts.

Thank you.

The CHAIRMAN. Thank you very much.

You know, it always amazes me that you can get small businesses interested and able to afford any health care costs at all, because in many instances small businesses are treated differently under the tax code than are large companies and corporations in terms of what they are able to deduct. Generally, the turnover in smaller businesses—I don't know that there isn't pretty significant turnover—have you been able to hold onto the same company that you've been doing business with for years?

Mr. ANSARA. No; we have switched companies a number of times. We started as a very small company and actually were able to offer health benefits essentially because we were in the right State and the right time period. If we had not been in Massachusetts, or there hadn't been the boom especially in construction, we certainly could not have afforded that. If we were starting today, having the level of benefits that we do have would be absolutely out of the question.

The CHAIRMAN. Do you find that the fact that you do have good health benefits has an impact in terms of your turnover?

Mr. ANSARA. Yes. We started as a nonunion company that offered minimum benefits to our employees. We voluntarily went union in 1985, primarily because we could not find and keep good people, and part of the union package for our field employees has been an excellent, comprehensive health and welfare program, and that has been a tremendous factor in our success.

The CHAIRMAN. What is your general turnover, annually?

Mr. ANSARA. I don't have the statistics. It is extremely low. I can't think of anybody we have lost to a competitor in the last 5 years.

The CHAIRMAN. So it is a big factor. We looked at American Bankers Insurance down in Florida which had about 11 percent turnover. Then they put in a day care—they teach K through 4 in the company, and Dade County provides the teachers and the books. They found that their turnover went down to 4 percent because the employees liked it so much. They found that they were doing better, were getting on-time arrivals by their employees. They found out they would get less absenteeism. They found that at lunchtime, the employees were going down and talking to the teachers instead of going out someplace else. And they found out they were happiest because they were going home with their kids. So the turnover went from 11 percent to 4 percent, and they paid for it in a year and a half.

And since that time, they find out that women are moving more and more in the corporate world, they are the ones who are moving and traveling, and the men are staying back in the offices, playing golf or whatever, and the women are going out. As they look at the various competitors, and they see this daycare, K through 4 down

there, they find they're getting a better share of the contracts. So this is just a win-win, all the way around.

You find out that when things are done right and done well, it can turn out that people are really thinking along those lines, and you clearly have been.

We found when we were having hearings on this issue that many of the businessmen liked this public/private approach better than what we had advocated years ago, which was more of a trust fund approach because that looked like a large Federal Government program. Then we tried to get the States to do it, and people didn't like that because then the money goes from New Bedford up to Boston before it gets expended. So we found that many of the businessmen liked this arrangement because they are still dealing with the private sector, and they are able to find ways of maximizing efficiencies and maybe expanding programs, and still keeping the comprehensive nature. So it has been interesting to hear your comments.

The CHAIRMAN. Ms. Felder.

Ms. FELDER. My name is Sandy Felder, and I am president of Local 509 of the Service Employees International Union.

Senator Kennedy, on behalf of the 10,000 members of Local 509, I would like to express our gratitude for being invited to appear before you today. The members of my union serve the people of Massachusetts in a variety of State human services agencies. Nationwide, SEIU has 950,000 members employed in health care, the public sector, building service and other service occupations.

Like working people all across this country, the public employees of Massachusetts need comprehensive health care reform. Recent events have challenged the widely-held view of public sector jobs as a source of stable employment and good benefits.

Over the past year, public employees across the State have united to resist Governor Weld's plan to force us to pay up to 50 percent of our health care costs. Public employee unions have advanced an alternative plan that would save even more money through a one-year freeze of hospital and doctors' fees. We believe the solution lies not in more cost-sharing, but in making health care more cost-effective.

Now, Governor Weld is holding up funds for our health plan in order to force through the changes he desires.

But it is not just public workers whose health benefits are threatened by runaway health care costs and the lack of an effective response from government. Governor Weld has been relentless in his attacks on our State's path-breaking Health Care for All Program. In his latest assault, the Governor proposes to gut statewide controls on hospital spending under the banner of controlling costs through market forces.

Well, if there is one thing we have learned from the painful experience of the 1980's, it is that deregulation and increased reliance on market forces leads to bigger, not smaller, increases in health care costs.

Massachusetts isn't the only State with these problems. SEIU represents public employees from Georgia to California, and I can tell you that the story is pretty much the same everywhere.

As a Nation, we find ourselves at a critical stage in the process of building a political consensus for comprehensive national reform. Everyone now agrees on the general goals of universal access, cost control and quality improvement. Large differences remain, however, as to the methods and structures for achieving those goals. Nowhere is this more true than in the area of cost containment.

Universal access and universal cost containment go hand-in-hand. Cost containment is and always has been one of the central and most difficult issues in the health care reform debate.

SEIU's president, John Sweeney, chairs the AFL–CIO's health care committee. In February 1991, the committee concluded a year-long process of coming to consensus on a reform program. A key part of that process was an examination of alternative models of reform as well as the experience of other industrialized countries.

In the area of cost containment, the lesson is clear and unmistakable. Despite great variation in institutions, and financing structures, every other industrialized country employs uniform reimbursement, a national health budget, and capital controls.

There is no doubt that we have much to learn from other countries. Figures for 1989 show that the United States, on a per-person basis, spent 40 percent more than Canada. Other industrialized countries have achieved even greater control over their costs. We outspent Sweden by 73 percent; West Germany by 91 percent, and Japan by 127 percent.

Labor has traditionally supported a pure social insurance approach. However, in the current political climate and in the face of the urgent need for effective progress on reform, the AFL–CIO decided not to make this a prerequisite for health care reform.

As long as the objectives of genuine cost containment, universal access to care and quality improvement are met, labor has an open mind on the system mechanics for achieving them. As AFL–CIO President Lane Kirkland says: "We are in a negotiating mode."

The AFL–CIO executive council statement calls for real administrative streamlining as well as comprehensive cost containment, including national health care budget, a single-purchaser reimbursement system, and controls on capital. The executive council's statement also points out the need to structure our reform system so as to retain those constructive innovations, like HMO's, which have emerged in the more competitive environment in the United States.

Unfortunately, there are still too many business leaders who think they can go it alone in controlling health benefit costs. This belief, which is contrary to the bitter facts of the last decade, is based largely on a philosophical opposition to regulation and an expanded role for government.

Thankfully, this opposition is lessening. With employer health benefits costs projected to hit $22,000 per employee by the year 2000, less than a decade away, it is not surprising to see the growing support within the business community for a public-private approach with some regulatory mechanism.

A recent Robert Wood Johnson survey reported that a majority of Fortune 500 CEO's agreed that health care costs cannot be controlled without government intervention.

From the halls of Congress to the corporate board rooms, this is precisely where the reform debate is focused at this time. Should

we continue to rely on private efforts alone, or is there a need for an expanded role for the Federal Government in regulating health care costs? This issue is decisive—it will determine whether we have real reform or not.

We have done everything we can do as individual purchasers. There is no meaningful alternative left. The only remaining unanswered question is the strength of the health care industry's lobbying efforts. Can they turn back meaningful health cost containment one more time?

For its part, the labor movement remains steadfast in its call for universal cost containment. Only when every payer—government program, employer, private insurer, or individual—pays the same price for a unit of service can we control the cost shifting that is undermining our employment-based system.

We were very pleased to see the recent congressional testimony of Comptroller General Bowsher and CBO Director Reischauer which highlight the need for universal cost containment.

Labor is familiar with political reality. We know that comprehensive reform of our health care system is a tough challenge to take on. After all, at $700 billion a year, the health care industry has a lot of vested interests at stake.

In fact, about the only thing harder than tackling health care reform is not doing anything about it at all. Because the longer we wait, the bigger the problems will become and the more drastic will be the solutions.

The introduction of a comprehensive package of health care reform legislation by Senator Kennedy is a big step in the right direction. It is a positive response to the demands of SEIU members and other working Americans for Federal leadership in solving the crisis of health coverage that is being forced out of reach for the average worker.

Unions and businesses together built the network of job-based health benefits that covers most Americans. That system is being undermined by skyrocketing costs, and there is growing agreement among business and labor that Federal leadership is essential.

The Mitchell-Kennedy plan achieves labor's long-held aim of guaranteeing basic health coverage for all Americans. We support the plans' requirement that all employers contribute to health coverage for their employees, leveling the playing field for business.

The Mitchell-Kennedy bill curtails insurance industry abuses like refusing to cover the sick and ends health premium extortion of small business. It also provides for streamlining wasteful administrative overhead of our complicated insurance system. And the plan takes the first steps toward developing an effective system of quality assurance in health care.

But we believe that there is room for improvement in several critical areas related to access, funding and cost containment. We are especially concerned that the proposed AmeriCare program be a mainstream public program, not just a revamped Medicaid program. One clear lesson from Medicaid is that poor people's health programs are politically vulnerable.

We are also concerned that the plan's formula for Federal-State funding ignores the very real problems that many States, especially poorer ones, are having in funding Medicaid and other health care

programs. We believe that the Federal Government must shoulder the major responsibility for health care financing.

The plan does establish a framework for a national health care budget as well as negotiated rate-setting with hospitals and doctors. However, SEIU and other unions believe that it is not realistic to think that doctors and hospitals will voluntarily restrain their price increases.

In the face of powerful cost pressures, we need a cost containment strategy that is based on more than hope alone. The crisis demands a comprehensive, airtight solution that will put an end to destructive cost shifting.

SEIU will continue to advocate for strengthening the Mitchell-Kennedy bill's cost containment plan with a mandatory system of uniform cost containment for all payers.

Senator Kennedy, SEIU will continue to support the efforts of you and your colleagues to build the momentum for comprehensive and effective health care reform.

Thank you.

The CHAIRMAN. Thank you very much.

You have all been very patient, and I have just a few questions.

Mr. Ansara, you offer health insurance to all of your employees; is that correct?

Mr. ANSARA. That's correct.

The CHAIRMAN. And have you considered cutting back on the coverage in order to save the cost of doing business?

Mr. ANSARA. We are currently looking for a different provider and considering a change on our dental policy. We are competing against a great many firms that either don't offer any health benefits, or if they do, are radically cutting back on them.

The CHAIRMAN. As the insurance business is so often just looking for healthy people to insure, that's where the competition in the industry is in skimming risks.

Do you think it is reasonable to require employers and employees to make some kind of contribution?

Mr. ANSARA. Yes, I do. In reading the substance of your bill I think the measures in terms of the phase-in and the help to small business are very important. I am still very concerned, especially in Massachusetts where so many small businesses are struggling, about just how they are going to shoulder that.

The CHAIRMAN. Under HealthAmerica, there is a change in terms of the IRS deduction for self-employed. Now they only get a percentage of the deduction. This proposal gives them full deductibility for the cost of their health insurance and then gives them a credit based on the profitability and wage-level of the firm, so it gets them up to probably close to 50 percent of total cost. Then, with insurance market reforms, you get about another 10 or 15 percent, plus reductions in year-to-year increases in premiums. The uniformity means that businesses that don't offer coverage are not transferring the payment to those who do, which is another 15 or 20 percent. With the larger negotiating board that we've talked about, we hope to begin to get a real handle on health care cost increases.

Ms. Felder, how many of your members have been laid off during the recent recession?

Ms. FELDER. We have lost about 600 members.

The CHAIRMAN. And what happens to their health insurance coverage?

Ms. FELDER. They also are covered by COBRA benefits for 18 months, but the cost of the COBRA is fairly prohibitive even for our members. For our family plan, people are paying upwards of $700 a month for their health insurance.

The CHAIRMAN. Well, I would not think if you are unemployed that you are going to be able to afford to do that.

Mr. ANSARA. Senator, my experience with the carpenters' union health and welfare fund is similar to that, in fact even more dramatic. We have a huge number of members statewide who have lost health insurance over the last year simply because of high unemployment.

The CHAIRMAN. They are losing their health insurance, and they are also losing their unemployment insurance as the unemployment fund continues to grow, where employers like yourself have been contributing. You are still doing well now, but until we really bottom out, and we're not there yet in spite of all these nice, happy estimates we have been given by Mr. Greenspan and the President. They are able to hold their coverage under the COBRA program, but now they are losing their unemployment compensation. This makes it virtually impossible for them to afford coverage. Therefore they lose their health insurance and unemployment insurance.

We're up now to about an $8 billion surplus in the unemployment fund. At that rate, there will soon be about a $9.5 billion surplus. It is extraordinary. That unemployment compensation fund was directed to collect funds for the time when you had a more positive economy and to use it to tide people over when we had high unemployment. The idea is that there is kind of a partnership between the employer and the employee. When economic conditions are more positive, the employee comes back and works for the employer rather than moving to a different part of the country. That makes sense in terms of the integrity of that company and its ability to take off again.

We are in a situation now in which we welcome the action that the chairman of the Finance Committee, Senator Bentsen, has taken. I'm hopeful that in the next 2 weeks, the least we can do is take up unemployment compensation and pass it in the Senate. I believe it will have some important impact in Massachusetts.

I want to thank all of our witnesses. As I mentioned earlier, our first panel really tells it as it is, what is happening across our State and across the country. It is a matter of enormous human tragedy for those families that they are living with every day, effectively playing Russian roulette with the health of their children and their families.

We are talking about hard-working people, people who are working 40 hours a week, 52 weeks a year, who want to work, who are eager to take even part-time jobs if they have to, to try and tide themselves over. These are not families who are asking for a handout. What they basically want to do is be able to work hard to provide for their families and for their future. And because the system is skewed, they are effectively denied that opportunity, generally with health conditions over which they have no control.

We have talked about pre-existing conditions, and having a son, Teddy, who had cancer, I understand this issue because he is in the same boat. This is a tragedy that we just cannot afford to have happen in this country.

We heard later from Stu Altman, who has been studying this over a long period of time. He explained where the flow lines go and, if we don't do anything, where we are going to be. There is going to be an even more dramatic disaster down the road.

We heard both from a sound business' point of view and from the workers' point of view the importance of this reform.

Quite frankly, this is an issue that has been studied to death. We have had all the reviews, we have had all the studies. I have been on the Pepper Commission. We know what needs to be done. The real question is whether we have the will to do it. And we are going to insist that our colleagues in the Congress, since we're not getting leadership at the national level, have an opportunity to address this so the American people will be able to have accountability. That is what is really needed now; we have studied this issue enough.

I want to thank you all. If there are others here today who have a story, we'll be glad to include it as part of the record as well. If you don't have it written down, and you want to send it in, we'll make it a part of the record.

[Additional statements and material submitted for the record follow:]

PREPARED STATEMENT OF JOSEPH CHETEOUI, BOSTON, MA

Life does not stop for parents of children with special needs. Bills, mortgages, health insurance . . . must be paid. To do this, one, and more likely both parents need to work to support family life. When a child with special needs comes with this family, more stress than can be imagined blossoms. Medical costs skyrocket even with private insurance. There are many services that are not covered. I have to work (24 hours/wk.) to keep the health insurance for my family. Durable medical equipment such as my son's mist tent, compressor, cardiac and respiratory monitor, portable and stationary feeding pumps, portable suction pumps plus supplies were not covered! I had to go through grievance, appeal and reappeal to get the insurance company to understand that this equipment is his lifeline. He's 21 months old with a trach and G-tube. He could not have lived this long, nor can he go on living without this medical support.

Skilled nursing is not a covered benefit. Monitoring 24 hours a day is needed to assure a viable airway from secretions. Our son has a motility disorder, part of which causes him to vomit. He is at risk to aspirate and develop pneumonia. Without special programs like Kaileigh Mulligan, Common Health, SSI—Medicaid, Katie Becket, medical costs would reek havoc on families not to mention the effects of physical and psychological hardships due to no support systems. It is humanly impossible to ask families to care 24 hours a day, 7 days a week, 52 weeks a year for a special needs child. Parents are not allowed to get sick, tend to any of their needs or have a simple break. These programs must survive to keep families intact and with as much normalcy as possible.

We could not have survived without our skilled nursing. Their medical expertise and support have helped beyond words. Our life is manageable since we can relinquish some of our child's care to medical professionals which gives us time to replenish and get ready to care for our son the next day.

Certain groups of Medicaid recipients will be in life threatening danger if the state is allowed to cut Medicaid "optional" services.

The term "optional" services is a misnomer. Items under this category are durable medical equipment, i.e., feeding pumps for our children who can not eat by mouth, artificial limbs for children with amputations, much needed drugs, cardiac and respiratory monitors, skilled nursing, mist tents and O^2 for children with traceotomies, etc. It is easy to see these are medical needs—not options.

Programs under the optional needs waiver include Kaileigh Mulligan, Katie Becket, Common Health and SSI—Medicaid. These programs are cost effective for our state. Children are able to be cared for at home rather than a skilled nursing facility, thereby containing costs. If Medicaid optional needs waiver is eliminated, a snowball effect larger than anyone can imagine will begin to roll. Families will need to quit jobs to care for their children full time. Revenue to the state will be lost. The family unit as a whole will dissolve and children will need to be placed in hospitals or institutions to survive. This will incur greater cost to the state than if the Medicaid statute remains intact.

We urge everyone to reconsider and support Medicaid optional services for the lives of our children.

ARTICLES FROM THE NEWTON GRAPHIC, JULY 3, 1991

FAMILY FEARS MEDICAID CUTS—PROPOSED LEGISLATION THREATENS CHILD'S LIFELINES

By John McMurtrie, TAB Staff Writer

NEWTON—Avi Cheteoui is only 20-months-old and already his life is in danger.

The two lifelines that keep him going are a feeding tube and a tracheotomy tube. Both were surgically implanted when it was discovered that Avi had severe respiratory and intestinal problems, and is thus disabled.

Under Medicaid standards, both tubes fall in a category of "optional" services that neither the state, nor the federal government, are mandated to provide. Also considered optional are the prescription drugs Avi must take, as well as the skilled nursing he gets virtually every night.

Under a proposal recently passed by the House, these optional services, and others, would be eliminated—representing a cut of roughly half a billion dollars in next year's budget. It is estimated that over 100,000 people in the state would be affected by the cut.

"My son can't eat by mouth enough to sustain himself," said Barbara Cheteoui. "People have to realize that these services are not optional. They're something people really need. It's not just kids. Our focus is on kids, of course, but it's going to affect a lot of people."

Other optional services include physical, occupational and speech therapy services, and diagnostic and rehabilitation services.

Though medical expenses for Avi are currently paid for under his mother's insurance plan, the skilled nursing is provided by the state, under the Kaileigh Mulligan program. If the state chooses to no longer mandate such programs as Kaileigh Mulligan, the Cheteouis would be left with few options for caring for their son.

Barbara Cheteoui has only been working part-time since her son was born. If the nursing were cut, Cheteoui would have to quit her job in order to stay at home, in Newton, with her son. But if she were to do that, she would lose health insurance coverage for her son and herself. Her husband, Joseph, works in sales, on commission. Getting coverage through his job would be virtually impossible.

"Who's going to pick him up?" Barbara Cheteoui said of her son. "I call him the million-dollar baby."

Cheteoui estimates that if she and her husband were to pay "out-of-pocket" for a skilled nurse, the charge would be about $12 an hour.

"There's no way we could care for him 24 hours a day and be able to work," she said.

Cheteoui also argues that she and her husband have been saving the state money by taking care of their son at home. She says that if the nursi8ng were taken away, their son might have to go into the hospital more often, costing the state even more money.

"The state is looking at short-term cuts on paper but in the long run, they're being short-sighted," she said.

Neil Cronin, benefits advocate for the Medicaid Defense Group, questioned the general perception that Medicaid is a "budget buster."

"Medicaid doesn't provide frivolous services," he said. "When you're cutting into the program that much,you're talking about removing life-sustaining health care."

Though the House has recommended cutting about $600 million in state Medicaid programs, the Senate has come up with a proposal that would prevent the repeal of various "optional" services. As of the end of last week, a joint House and Senate committee was working on a package of cuts.

She's Lobbying For A Life

NEWTON WOMAN LOBBIES FOR PROGRAM FOR SON

By Igor Greenwald, Staff Writer

Like other Statehouse lobbyists, Barbara Cheteoui has spent hours this spring on Beacon Hill and on the phone, badgering legislators in an effort to shape the state's bare-bones budget.

But Cheteoui, an amateur at this game, is playing for higher stakes than the professionals. She is fighting cuts in the Medicaid program that could force her to give up caring for her seriously ill son at home.

Doctors don't know yet what exactly ails the 20-month-old Avi Cheteoui, his mother said in an interview from her Newton Centre home. But they have told his mother the infant will die without his breathing and feeding tubes and the around-the-clock struggle to maintain the life support equipment.

Barbara Cheteoui, a part-time physical therapist, splits some of the medical chores with her husband Joseph. But Medicaid's Kaileigh Mulligan program—named for a handicapped child and designed to keep certain medically needy children at home—pays professional nurses to watch Avi at home while his parents work and sleep.

The final Medicaid cut by the Legislature was $420 million. How this will be absorbed by specific programs is not yet clear, but administrators may have to cut optional services like the Milligan program before those mandated by the federal government.

Cheteoui spent two hours last week pleading with legislators on the joint House-Senate budget panel to spare the Medicaid programs. While their bosses negotiate, "the aides are just taking down what you are saying and thanking you and hanging up," Cheteoui said.

Should the Mulligan program fall under the budget ax, Cheteoui said her family will face a stark choice: Sell its home to pay for private nursing, or place Avi in a hospital so that an insurance company would cover the expenses.

And Cheteoui said she would rather sell her house than lose her son to an institution. "Why would I put my son in the hospital?" she said. "I am a fighter, and this is a family. We stick together through thick and through thin."

The state currently pays private nurses $38–40 an hour, Cheteoui said, to care for her son 84 hours a week. But Medicaid advocates contend even these outlays pale beside the cost of hospitalization for children like Avi.

The state Office of Handicapped Affairs estimates hospitalizing patients currently cared for at home under the Mulligan program would eventually cost the state 3-6 times as much as the home care subsidies it currently provides.

"They are being short-sighted," Cheteoui said of the budget-cutters. "In the long run, it will end up costing the state money."

Cheteoui said that while caring for her son and campaigning against the cuts have taken the toll, she has gotten by with the constant support of family and friends.

"Good news for all of you Avi fans out there," chirps her answering machine. "He is now crawling around, and he is fantastic."

Prepared Statement of Ellen Crowley Overlan

I am testifying in favor of a major revamping of the state and national health insurance system.

I am testifying from four perspectives:

(1) As a health care provider whose source of income is health insurance payments.

(2) As a health care provider who sees how clients and families are affected by the current health care system.

(3) As a woman with breast cancer and thus a recipient of health care services.

(4) As a women's health activist, a member of the Women's Community Cancer Project in Boston, and of the National Breast Cancer Coalition in Washington, DC.

First, my testimony as a provider can be brief. It is my experience and observation that the existing health insurance system, with its array of bizarre insurance forms, is draining the energies of the providers and ultimately saps energy from patient care.

Second, my observation from the perspective of a provider on what the current system is doing to families in Massachusetts is that it is creating a sense of panic and desperation. I have seen a child with symptoms of fear of leaving the house because she perceived the world as too dangerous. Exploration revealed a formerly

hard-working father who due to the present economic slump lost his job and health insurance. The child's mother was keeping up the family's health insurance payments through her job. The health insurance payment totaled fully one-half of this family's income. It is no wonder this child saw the world as dangerous! I have seen another family where the father ran a one-man roofing business. There were four children under the age of 10. First they had Blue Cross/Blue Shield and when they could no longer afford the premiums, they moved to a lower priced policy in a desperate attempt to continue to be among America's working insured. This last policy, which costs $2,000 a year, paid almost nothing whenever the family had a medical need. At that point, this family joined the ranks of the working uninsured. The mother states that "I treat my children myself."

Third, my testimony as a patient involves the same common denominator—stress. I have learned the following from being the one of one in nine American women who are struck by breast cancer. Despite the fact that I have paid health insurance premiums continuously between the ages of 21 and my current age of 52, I feel in constant danger of becoming one of America's working uninsured. If I lose my job, I am at risk of being denied health insurance following expiration of COBRA because of a pre-existing condition. Although it is mandatory that coverage continues under my current policy, what they will offer after COBRA is a premium of $6,000 a year for a maximum lifetime coverage of $25,000. Because I live in fear of losing my job and becoming uninsured, I also carry (for my emotional security) a second policy, which costs $1,600 a year, and which I do not even use.

As a cancer patient, I have also learned that the amounts charged for care, at every point along the way, are beyond belief! If people were paying these bills out-of-pocket, there would be a revolution!

Fourth, finally, my testimony as a women's health activist, a member of the Women's Community Cancer Project in Boston and the National Breast Cancer Coalition in Washington, DC is as follows: These organizations, representing women with cancer, are becoming very powerful voting blocks. In the area of breast cancer alone, 400,000 women have died in the last 10 years in this country. If each of these women had 10 friends or family members who loved them, it would represent more than 4 million people!

This current grass roots movement is only the beginning of a growing nation-wide movement of voting women and their voting loved ones demanding major progress and change in health car and the way that it is funded.

LETTER FROM JILL MARMOREK TO SENATOR KENNEDY

Brookline, MA, July 21, 1991.

To: Sen. Edward Kennedy
Re: Health Insurance Issue

Please add me to the list of millions of uninsured Americans after Oct. 20, 1991 when my Cobra policy expires. I have the "pre-existing condition" labels and unable (to no surprise) to obtain my own health insurance. I am not married, so I can't go on my husband's policy, and I work for a small company so I can't get insurance through my workplace. Even if I was willing to pay a premium, as you know, there is no insurance company in the United States that would give me a policy.

Four years ago, I was diagnosed with leukemia and also a liver disease. I have enough problems worrying about my health, let alone who will pay my bills. Although I was born and raised in Pittsfield and lived in Boston for many years (always a registered Democrat since only they care about the people in this country), I did live in California for 8 years. I worked feverishly two times on health care bills the state was trying to pass to provide state funded insurance like Rhode Island and other states have, but Gov. Deukmajian vetoed the bills twice.

So ... here I am, a professional working person with a Masters Degree who thought by the time I turned 40, I could start to build a savings for future retirement and keep the condo I've worked all my life for, about to lose everything due to health problems and the inability to obtain insurance. I can't convert from the cobra to their individual policy because it would cost at least $2,000 per month, more than I'll make this year. Or ... should I pay the insurance and go on welfare or live on the streets? I don't know what to do except maybe move to Canada. Thanks, on behalf of residents of this state and the country, for working so hard for so many years to help us. Any suggestions?

JILL MARMOREK

LETTER FROM PAUL AND ROSELIND COLE TO SENATOR KENNEDY

Groveland, MA, July 23, 1991.

Senator Kennedy,
JFK Federal Building,
Boston, MA.

DEAR SENATOR KENNEDY: Over seven years ago our daughter was born with an extremely deformed face, throat, and mouth. This was a result of lymphatic malformation. At 3 days of age she had over two pounds of this malformation removed from her face and neck and a tracheostomy was placed for her to safely breath. Since that time she has undergone surgery 14 times, and is scheduled for her 16th surgery on July 30 of this year. We have no idea how many more surgeries she will need or when she may overcome this problem.

Throughout this period of time we have been careful using our health insurance for only essential medical equipment and care. Although a qualified nurse must accompany her to school through Chapter 766 we have never used nursing care in our home in order to protect our health insurance. Instead, we have provided this care on our own. We re-cycle medical supplies and equipment as best as we can, and do not draw upon ancillary services in order to budget costs over her lifetime. We do not qualify for Medicaid or SSI. Our insurance does not provide 100 percent coverage and our struggle in paying the balances prompted us to apply for Kalleigh Mulligan assistance. Unfortunately we were denied. We are appealing this decision and are also applying for Common Health insurance coverage.

Being so frequently in the hospital, we are painfully aware that there are many other families living the same life. Medical technology has let our babies come home. Parents learn medical and nursing skills that the majority of nurses will not have performed. We help our children to breathe and eat through tubes, use heart monitors, and live each day within earshot of them to be sure of their safety.

We do not want anyone's pity. Our daughter amazes and teaches everyone she has ever been in contact with. Our family is truly blessed. What we ask is how can we protect our daughter and the thousands of those whose chronic care has or will deplete their insurance and because of pre-existing conditions be prevented from qualifying for alternate insurance? How can we protect ourselves from financial ruin after working so hard to keep this all going?

We understand that these are tough times however, these children have only known tough times. We know that you are actively involved in health care issues and we hope that you and your colleagues will be able to make the changes necessary to protect our children with birth defects and chronic illnesses. They need you.

Sincerely,

PAUL AND ROSELIND COLE

Our committee stands in recess.

[Whereupon, at 11:45 a.m., the committee was adjourned.]

HEALTHAMERICA: IMPLICATIONS FOR CENTRAL MASSACHUSETTS AND THE NATION

WEDNESDAY, AUGUST 14, 1991

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Worcester, MA.

The committee met, pursuant to notice, at 10:30 a.m., in the Amphitheater Hallway, St. Vincent's Hospital, Worcester, MA, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senator Kennedy.

OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. The committee will come to order.

First of all, I want to thank Dr. Denis Fitzgerald and his staff at St. Vincent's for hosting this hearing and for assisting us with the arrangements, and most of all for their dedicated efforts in seeking better health care for the people of Worcester and the Commonwealth.

Today marks another in a series of hearings on one of the most serious domestic challenges we face—the health care crisis that is denying decent care to large numbers of families.

The crisis has two central features. Health care costs are soaring out of control, and nearly half the American people have no protection or inadequate protection against serious illness.

Today the number of Americans without any health insurance at all has reached 34 million. Sixty million more Americans have insurance that even the Reagan administration said would be inadequate in a serious illness. Half of all Americans, hounded by collection agencies, are in that trouble because of unpaid medical bills.

Two-thirds of the uninsured are working men and women and their families. Most of them work hard, 40 hours a week, 52 weeks a year. But all their hard work cannot buy them the health care they need or the freedom from fear of the high cost of care.

Today, on health care, to paraphrase Thoreau, the vast majority of Americans lead lives of quiet desperation. No family is more than one pay check, one job change, one employer decision to drop coverage, one pink slip, or one illness away from losing protection. Across Massachusetts and across America, large numbers of families are playing Russian roulette with their health.

In recent years, in the absence of Federal leadership to address these problems, several States have advanced proposals of their own. Massachusetts has been one of the pioneers, and our State de-

serves great credit. But the lesson of recent experience is that no State can do the job alone.

The recession has compounded the crisis. For most citizens, being laid off means losing your health insurance. The so-called COBRA requirement enables laid-off workers in firms with 20 or more employees to continue their coverage for 18 more months, but with one big proviso—they have to pay the full premium themselves. This cost is often prohibitive for those seeking new jobs while desperately struggling to make ends meet. If their firm has fewer than 20 employees, COBRA doesn't cover them at all.

In the past year, an estimated 87,000 persons in Massachusetts have lost their health insurance because they were laid off. The hardest hit are those with pre-existing conditions, or older workers just short of Medicare eligibility. For them, it is impossible, or impossibly expensive, to obtain any coverage at all.

With the unemployment rate over 11 percent in Worcester, this area has been disproportionately affected. No person should have to face that kind of double jeopardy. When you lose your job, you shouldn't lose your health insurance too.

Soaring health care costs are an equally serious part of this crisis, threatening to price health care out of the reach of millions of American families. In 1970, the Nation was spending $74 billion on health care. In 1989, it was $600 billion, and today it is over $700 billion.

As this chart shows, by the year 2000, we'll be at $1.5 trillion if we don't bring some alteration or change in terms of effective cost containment. This chart really doesn't even reflect the numbers of people who are uninsured, but just the total cost.

The other chart shows the results from a Harris poll that asked whether the system works well. In the United States the satisfaction level is at 10 percent, and the personal expenditures are very high per capita. So satisfaction is virtually unrelated to the total amounts that are being expended. We still see the general concern that Americans have about both the adequacy of coverage, the cost, and long-term care for their parents and other members of their family.

Escalating health care costs would be a problem under any circumstances, but these enormous expenditures have not brought us the health care system the American people deserve or support. American infants die at rates that would shame a Third World Nation. We rank 12th in life expectancy. Only 10 percent of the American people think the current system works well compared to 56 percent of Canadians who think their system does. Clearly, something is rotten in the State of US health care.

In June, fed up with the refusal of the Bush administration to deal with the crisis, Senator Majority Leader George Mitchell, other Senators and I proposed a comprehensive reform called HealthAmerica. The basic concept is "pay or play." Every employer would be required to provide a basic package of health benefits for their workers and families, or else pay a percentage of payroll for the cost of comparable coverage under a public plan.

Our proposal also includes a comprehensive program to slow the momentum of rising costs. It includes strong steps to squeeze unnecessary care out of the system. Studies estimate that up to 30

percent of medical procedures are unnecessary or even harmful and ought to be eliminated.

Our proposal will also reform the insurance market, especially for small business. It is time to reduce the mushrooming administrative costs that are strangling the current system in red tape and burdening physicians, hospitals, and patients alike.

Over 1,200 separate companies sell health insurance today, and endless forms and payment procedures are diverting time and money that can be better spent on better care. I'm sure we have a roomful of experts who could comment from their own personal experience on that observation.

A new Federal Health Expenditure Board, with the stature and independence of the Federal Reserve Board, will set strict limits on health spending.

Finally, by achieving universal coverage, the program will end the costly practice of cost-shifting. Today, when people cannot pay their medical bills, the costs are recouped in the form of higher charges by hospitals and doctors for everyone else—as much as 15 percent higher in many cases.

Massachusetts has already taken told steps toward universal coverage, but we are paying a high price because we are forced to deal with the current flawed national system. With the enactment of HealthAmerica, the Commonwealth will save as much as $250 million a year, and 455,000 Massachusetts residents who are current uninsured will be covered.

Massachusetts has taken, as I mentioned, important steps. The way that our program is fashioned and shaped, it will have a very positive impact in terms of savings for the Commonwealth.

Some say that the time is not ripe for comprehensive national health care reform. Certainly, that is the attitude of the Bush administration. They claim that greater consensus is necessary before action can be taken. I believe that they are wrong.

The consensus is already there among the American people. We cannot afford to wait any longer. We have really studied this issue and problem year after year after year after year. There are more closets in Washington filled with studies. The real time for action is now.

If Congress has the courage to go forward, the Bush administration will catch up. They can't beat something with nothing, and clearly something must be done, and I intend to see that it is.

At the outset, I want to express my great appreciation to all of the witnesses who are here today, particularly our first panelists, who will tell us about some of the very personal challenges that they and their families are facing with the failure of having adequate coverage.

It is always difficult for families to share these kinds of life experiences in public, but nonetheless I think it is important that we realize once again that when we are talking about legislation, we're really talking about people, and we're talking about families, and we're talking about children, and what the failure of action is going to mean to all of them.

So we express our thanks to those who will speak today. We have the opportunity on a number of occasions to have hearings in Washington, but I think it is extremely important that we give peo-

ple in Massachusetts, and different parts of the country for that matter, the chance to really tell it like it is out there on Main Street.

So we are very, very grateful to all of them, and as I have said previously, the best way we can adequately express appreciation to them for doing this is to fight for this program in the U.S. Senate, and that I am committed to and pledge to them.

The CHAIRMAN. Our first panel of witnesses are citizens who will share with the committee their personal experiences with the health care system. We look forward to hearing from them.

Tom and Dianne Welton from Worcester are accompanied by their daughters Ashley and Courtney. The second witness is Patricia Connors from Fitchburg. And finally, Francis Kelly and his wife Barbara from Millbury.

We'll start off with Dianne and Tom, if you'd be good enough to recount where you've been working in the past and what your current situation is.

STATEMENTS OF TOM AND DIANNE WELTON, WITH DAUGHTERS ASHLEY AND COURTNEY, WORCESTER, MA; PATRICIA CONNORS, FITCHBURG, MA; AND FRANCIS AND BARBARA KELLY, MILLBURY, MA

Mr. WELTON. I put together some of my thoughts last night when I was asked to speak in front of the committee today, and if you'll bear with me, I'll read through it.

I titled this, "That Won't Happen to Me. . . ."

It is June of 1990, and the computer manufacturer I've worked for for the past 10 years is struggling. Once again, we're looking at layoffs. I comfort myself with the fact that I've just recently been recognized for outstanding performance, and that they only lay off "problem" employees.

I tell myself I will survive this as I've done for the past 4 years and some 7,000 cuts. Certainly they won't let go someone who puts in all the extra hours. Could they? Would they?

I couldn't take a chance, so even though I've just been in a major accident, still taking painkillers and wearing a neck brace, I report to work, fearing that if I stayed home, as the doctor recommended, I would be more likely to get hit.

Well, guess what? This time I didn't survive. I was met by my manager and personnel rep and told that even though I was a valuable and talented employee, I was gone. They let me know that it was through no fault of my own, but as of Monday I was history.

I found comfort in telling myself that this was a great opportunity for me and my family; I'd be able to start fresh with a new company and begin a new career.

I'll just relax for a couple of weeks, hit the beach—I mean, this was summertime—and enjoy some time off. Money was not yet a problem for us, due to a pretty good compensation package I received for working the 10 years. So I enjoyed some time off with our family.

August was now here, and I decided it was time to get serious about finding my new start. I went on a few interviews and kept scanning the papers but found nothing to get excited about. I told myself to keep patient and that I'd find a better job for us. It sur-

prised me when September arrived and I still hadn't found a new job yet. It seemed to me it was a lot easier to find a job the last time I looked, which was 10 years ago. Plus, now I had all this great experience.

Finally, a nibble. It is mid-September, and I join a major giant in the telecommunications field. The salary is practically nonexistent, but I'm led to believe that we'll be living very comfortably on the commissions I'll be earning. A funny thing happened to those commissions. They never came.

The recession that we've been told to ignore was strangling Massachusetts start-up firms, which was the market we sold to. November and December pass by, and I'm still not making the money my family needed. Now my wife is getting nervous, and I tell her not to lose faith, that I can make this job work for us. After all, I never quit a job before, and I didn't like the idea that I wasn't doing very well at my new job. My wife was right: I needed to change.

January and February brought minimal results. Businesses were tightening their belts and were not spending money on our products, nor anyone else's.

My wife and I realized that after years of protecting our credit, we were now falling behind. What hurt me the most was I now felt for the first time in my life that I was letting my family down.

I had to move jobs. Then a break occurred in March. I was contacted by the president of a small company who needed a salesman. Upon negotiating an extremely fair comp plan and salary, I joined forces. This was it, the chance I always knew would come my way. I would once again be able to take care of my family and enjoy some benefits from working hard.

I had heard all the stories about traveling salesmen and all the fun they had while on the job, but I told myself that wasn't for me. I was going to put forth 110 percent of my efforts into this job so that I'd succeed. I worked 12-hour days, skipped lunches and saw client after client all over New England.

I did this for 3½ months, and I knew things weren't going well. I caught wind from one of our administrators that our company was hurting financially. This explained our pricing strategy, which was perceived by our clients as being too high.

I told myself that a struggling company won't get rid of their only sales rep in a down economy—but once again, I was wrong. After just 3½ months on the job, a somber president called me into his office to inform me he could no longer afford to keep me on his payroll. So for the second year in a row, I was out of work with no benefits.

This was June, and as of today I am still unemployed. I am a college graduate with honors, told by each of my employers that I was a valuable employee. But I still can't find a job.

Instead, today, I watch my children play and pray that nothing should happen to them. I thank God that they are in perfect health, and keep praying that accidents that befall children in their play hold off for now—at least until Dad has the family covered under a health plan once again.

As I am writing this, I am watching my daughter wobbly ride down the street, showing off to her friends how she can ride her

bike with no hands. I feel shamed a I call her over to the curb and plead with her to please ride with her hands on the handlebars. I explain to her that I don't want her to hurt herself, and that should she fall off her bike and get hurt, because Daddy isn't working, we wouldn't have enough money to get her help at the hospital.

She makes me feel better in her 5 year-old innocence when she gives me a kiss, rides back to her friends and shouts, "Don't worry, Daddy, that won't happen to me."

The CHAIRMAN. That was very moving testimony, and I think that all of us have a great deal of respect for you and for your family and your desire to provide for them and for their future.

Let me just ask you a couple of questions and then move on, and perhaps we'll have some more general questions after the conclusion of the panel. Did you have a COBRA benefit program at the first job?

Mr. WELTON. Yes.

The CHAIRMAN. And did you participate in that program?

Mr. WELTON. No, I did not. I found that it was not affordable to us.

The CHAIRMAN. Do you remember approximately what the cost was—about $300, $400 per month?

Mr. WELTON. Yes, it was around $400 a month.

The CHAIRMAN. So even with whatever you are able to receive in terms of unemployment compensation, at a time when you really need it, your income is going down and you are having to make ends meet in terms of your family, and the premium effectively is going up.

Mr. WELTON. That's right.

The CHAIRMAN. So you get caught in that squeeze.

Mr. WELTON. I find it impossible right now.

The CHAIRMAN. You said you worked for that company for 10 years. When did you start working, just generally?

Mr. WELTON. That was really my first employment, other than going part-time while in college. So it was the only company that I had really worked for.

The CHAIRMAN. But you've been working since you got out of school; you've been working all your life in that sense.

Mr. WELTON. Right.

The CHAIRMAN. Dianne, is there anything that you wanted to add?

Mrs. WELTON. No, Senator.

The CHAIRMAN. How has this affected your family—has it changed your whole life style?

Mrs. WELTON. Well, it has made me have to pick up more hours at work. I'm a part-time waitress, and I used to only work two nights a week, and now I work five nights a week. So I am away from the house more than I ever was.

The CHAIRMAN. And I suppose some of the things that you normally would do with your family have been cut back as well.

Mrs. WELTON. Yes; no vacation this summer.

The CHAIRMAN. And I suppose birthdays and other events have also been cut back as well.

Mrs. WELTON. Definitely.

The CHAIRMAN. So it puts some real pressure on your family as well.

Mrs. WELTON. Oh, yes. There is a lot of stress.

The CHAIRMAN. When we talk about health care, we talk about these figures, all of which are obviously important, but we too infrequently really think about what these kinds of pressures mean to an individual as well as to a family. And that is something that you just can't put a dollar sign on.

Patricia Connors, welcome.

Ms. CONNORS. Good morning, Senator. I worked for Lady Pauline's in Fitchburg for 13 years, the last 6 as manager. In January of 1991, I lost my job. My employer had paid 100 percent of my insurance. With my job, I also lost my insurance.

Last February, I was diagnosed with chronic fatigue syndrome. In December 1990, I was diagnosed with a thyroid problem, overactive thyroid. I can't go for further tests because of lack of insurance. I was on medication that I can't continue because of lack of insurance. I have been sick since I have been out of work, practically.

I have been looking for work, but I think my age is against me. They kind of promise you they will call you, but they never return the call.

One test that I had done was $600 dollars for one tube of blood. I had to pay the balance.

I have three kids who are married and struggling on their own, and when I'm done with unemployment, I'm done with everything; I have no money coming in. And I only have two checks to go.

I am afraid of what is going to happen to me. After working and putting money into Social Security and so on, I am losing everything. And my health, like I said, isn't that great right now. I have been under a lot of pressure. I am depressed because I don't see any job coming up for me.. It's bad.

I have had to alter my life. I worked 50–65 hours a week when I was working, and I was pulling in good money with those hours; I had to. But now, with what I'm getting from unemployment, there are a lot of things I've had to stop. With my grand-daughters, that hurts me very much. I can't buy like I used do, I can't do what I used to do. And the holidays are coming. What are they going to get from their grandmother? Probably nothing.

I don't know what else to say.

The CHAIRMAN. That says it all. So you have worked all of your life?

Ms. CONNORS. Yes.

The CHAIRMAN. And when you lost your job, you lost all your health coverage. Did you try to buy some individual policy?

Ms. CONNORS. I looked into it, but the cost was way beyond what I could afford.

The CHAIRMAN. You talked about being unable to follow through on the cost of treatment for your overactive thyroid. Could you describe what that treatment would be?

Ms. CONNORS. I was supposed to be on medication. With the ultrasound, they found a lump on the thyroid. I went to see an eye-ear-throat specialist, and I was supposed to go back in March but I canceled the appointment. And I was on medication for the chron-

ic fatigue syndrome, and I have had to stop taking that as well. There was supposed to be more blood work and another ultrasound, but I can't do it.

The CHAIRMAN. We all heard and read about the President's overactive thyroid. He was able to get health care, and I'm all for it, I'm all for it——

Ms. CONNORS. Yes—I was thinking of calling his doctor to see if he could help me. [Laughter.]

The CHAIRMAN. You took the words right out of my mouth. Lord only knows we want the best for people, but it is just put in such sharp relief when you hear about a situation like this and see how important it is for a person to be able to get the necessary treatment and the medicines so that they can have a constructive and productive life on the one hand, and to then not be able to have that and see all the anguish and heartache and distress that one faces when we don't provide that kind of coverage.

Did you say you have two more weeks of unemployment compensation?

Ms. CONNORS. Yes, I do. I go in tomorrow, and then I have one more time.

The CHAIRMAN. There are thousands who are falling off the unemployment rolls in Massachusetts every couple of weeks, and these are all men and women who have, like Patricia Connors, worked generally over a lifetime and are caught up in this recession which, I think as Tom mentioned, was never seen and was underestimated in terms of its impact on families. And now we are told it has effectively ended.

Well, it certainly hasn't ended in Worcester, where the unemployment rate is 11 percent—and that of course doesn't even measure the people who have given up in terms of looking for employment, or what it is down in New Bedford and Fall River, where the unemployment rate is over 18 percent—the highest since the Depression.

One of the things that we did at the end of July was to pass legislation for the extension of the unemployment compensation, which administrations have done in the past. It isn't a partisan issue. I am critical of the President for not urging it—President Ford, even President Reagan and President Nixon, all Republicans, all provided and supported extended benefits—and at a time now when the unemployment trust fund is growing. It is growing while people like Patricia Connors and tens of thousands of people all over Massachusetts are rolling off the list and wondering what they are going to do with their lives.

It was for this very reason that that fund was established so that during the valleys in terms of employment, people would be able to make do—maybe not in the quality of life that they had previously—but at least they were going to make do until the economy begins to come back, and then hopefully they may be able to go back to their old jobs. That was the point. Employers wanted it because it let them maintain some contact with former good employees so when they saw that the company was going to be able to move back and get some expanded business, they could reach back and get some of their former employees.

And now, of course, we have a situation where that trust fund is over $8 billion at the present time and will probably go up another couple billion dollars by the end of the year. And we have people like Patricia Connors and the Weltons and others who are facing an extraordinarily difficult future. So this is an area in which we have to do a good deal more, all of us, and we shall.

Let's go now to Mr. and Mrs. Kelly. Good morning.

Mr. KELLY. Good morning, Senator.

I am 64 years of age and without any insurance. I have been without insurance now since January. I worked for 22 years at White Machine Works in Whitinsville. They folded, and I went over to a company in Worcester for 11 years, and that went out. I worked 2 years with Amoco Oil company, and they went out. I paid my way in dues for insurance all those years.

I went over to UMass in 1985 up until 1989. I had to leave because of emphysema. When I left there, they told me that my insurance would be paid with State John Hancock until I reached the age of 65. In January, I got a letter stating that I was no longer covered by John Hancock. I went down to see them at the Medical Hospital, and they told me that they would look into it. Well, all I got was they were very sorry.

So since then I have no insurance. I have been marking the calendar every day. It is depressing, and it is really bad.

I went back and tried to get insurance from a different insurance company, and I was rejected. I was rejected because I had a brother who died from colon cancer. I went to UMass and had a test for colon cancer, and everything was proved wonderful, and I showed that to my doctor—he wasn't too happy with this, anyway. But I was rejected.

My wife tried to get me with her insurance where she worked, and they wouldn't take me; I was a bad risk. Now I am wondering what happens if I get sick and have to be rushed to the hospital, maybe a heart attack, God forbid. What happens to my home that I have worked all these years for, my wife and I? I could lose it overnight. They say, oh, no, don't worry about it. We have a plan in the hospital, and they'll take $2 or $5 a week. Don't worry about a thing. The doctors are good, and everything else. They may be good, but I've got to pay that bill, and how can I pay it if I haven't got any money?

I had an operation in 1982 on a collapsed lung that is coming along pretty good, but I need doctors. I've got to have medical attention, and I can't get it because I haven't got the insurance. I do get it over at UMass. I have three doctors that I see every other month, and they say I'm coming along fine with my emphysema.

But it's a heck of a thing to be working all these years, getting ready for retirement age, and you get nothing for insurance. Here, I paid for it all my life—thank God I didn't have to use it—but I didn't see them coming back and saying, "Here are the dividends." They gave me exactly nothing. So now I have nothing.

The only thing I have right now is depression and fear. I mark the calendar every day. This is a great way to live. What we need in this country is universal insurance, and we need it very fast. We can't wait until there are more hardships because the hardships are hurting all of us. And the older we get, there are always doctor

bills, regardless. So I just can't wait. Nobody wishes their age to be accelerated, but I do. I wish I was 65 years of age. I went up yesterday to Central Mass, and they told me I have to wait until I get this little paper for Medicare. I guess you have to apply 3 months before you are eligible for the Social Security.

And this is only one thing. What about my medication? It costs me $22 for what they call Ventilin. The doctors out at UMass help me out a little on my prescriptions; otherwise I'd be in the hospital all the time. They get me my Asthmacort and my prednisone and other things I need, and they have all been wonderful.

But it has just gotten to the point where I don't even want to get into an automobile; I don't even want to drive, and I've never had an accident in my life—I am innocent. But if someone hit me, what am I going to go when I go to the hospital? They don't care. They want their money. How am I going to get the money? I haven't got any money. So they say, "That's all right, we'll take you home." Have I been working all my life for that?

This is the only thing I have in life besides my wife. If they take that, I might as well say the heck with everything.

In my case, I never quit a job. My employers all went out of business. I didn't know what it was to have a day off. Fellows used to go out to the ball game, but not me; I'd stay at work. The insurance was all paid. Thank God I never used it. They raised the premiums, and they'd pay them. And now I sit back and I say to myself this is the way they treat you? And I can't get any insurance at all. The only insurance I can get is from AARP, and that pays peanuts, but still it is a little.

So Senator, I'm telling you, it's really rough out there, as you know. We are all suffering, and it's not right. This other guy, he doesn't care. Let him play his golf and do whatever he wants. Too much foreign. Let's get him back in this country and see him do something.

The CHAIRMAN. Hear, hear. As I understand it, you have been paying in for health care coverage your whole working life, and you have never drawn down on it.

Mr. KELLY. No, Senator.

The CHAIRMAN. So here is an employee who paid in all of his life, and now, at a time when he needs it, he just doesn't have it. You have emphysema, and you say it costs about $22 for——

Mr. KELLY. Yes, and I go through these Ventilins; I get maybe 2 weeks out of one of them.

The CHAIRMAN. So what do you estimate it costs you in terms of prescription drugs per month?

Mr. KELLY. About $60. And how much longer can I keep that up? I can't. And there is nobody to help us.

The CHAIRMAN. Under the Medicare program, when you reach 65 you get relief for some of this attention; but prior to that, in order to be eligible you have to wait 2½ years before it really effectively kicks in for persons with a disability; am I correct on that?

Mr. KELLY. Yes.

The CHAIRMAN. That is an extraordinarily wonderful, humanitarian attitude to have. After they certify that you have a disability, and they say "We know you've got this disability; you meet the criteria," but you still can't get any help for 2½ years. It is not for

any health consideration, but strictly in terms of the cost factor, which means that the cost is going to be paid, but the pressure it puts on a person like Francis Kelly is really devastating, and I think he said it well.

Mrs. Kelly, this must be difficult on the family as well?

Mrs. KELLY. It is, not knowing. Usually at night, I'll reach over and try to touch him to see if he is all right. One night, he was sort of wet, and the first thing that came into my mind was oh, God, what if he has pneumonia. All these thoughts go through your mind, you know. What if he has pneumonia? Well, I'd have to rush him to a hospital. I mean, I'm just not going to say, well, it will go away, because it isn't going to go away. So I worry constantly about him.

I was working, and I just got laid off. With me, it was budgetary. One of the executives got laid off, and he has a family. And my boss felt very bad about it, but there is nothing they can do. It is very bad in the State, very, very bad. Something has to be done. It is almost like this State has been isolated from the rest of the country, and I don't know why, but it is very bad. They have just forgotten us in New England.

The CHAIRMAN. Well, I think what this means in terms of families, as we have heard this morning, is incredibly troublesome, trying to make ends meet and trying to anticipate the kinds of health dangers that we are faced with.

People tell us that anyone can go around the State and find three or four of these families, and that those are just individuals who happen to have fallen upon hard times. The fact of the matter is that in every community of the Commonwealth you will find this, in every block of Massachusetts, similar kinds of stories.

We have had numerous hearings now on the subjects of health care and also employment, and they are closely related because we are job-based communities and a job-based society, so they are very closely related. When you aren't working, you certainly aren't going to have coverage; and when you are working, you might have it. But nonetheless, these are men and women who have worked all of their lives, who have been good citizens in their communities, and are now in some instances getting along in terms of years, have paid up all their insurance, and are now fearing the dangers of no coverage. That is just fundamentally and categorically wrong.

We appreciate very much all of your appearances here this morning. As I mentioned before, the best way to express my own appreciation is to fight for a universal health program, and we have been fighting for it, but I believe that we have a real opportunity in this Congress to get some action, and I'll do everything I possibly can to get it.

I want to thank you all very, very much. We'll excuse you and go to our second panel.

Our second panel of witnesses will share with the committee their perspectives on the health care crisis from their particular vantage point.

Minerva Maldonado is the vice chair of the board of directors at the Great Brook Valley Health Center in Worcester. We had a good opportunity earlier today to tour that center.

Lisa Carroll is vice president of health services for the Small Business Service Bureau in Worcester. And we are delighted to have seated in the audience her father, Frank, who is the president of SBSB. We had the good opportunity to have his testimony before our committee in Washington.

Kathy Metzger is the consulting director of the Central Massachusetts Business Group on Health.

Gary Spring is business manager for the SEIU Local 495, and treasurer of the Worcester-Framingham Central Labor Council.

I welcome all of you, and we'll start with Minerva.

STATEMENTS OF MINERVA MALDONADO, VICE CHAIR, BOARD OF DIRECTORS, GREAT BROOK VALLEY HEALTH CENTER, WORCESTER, MA; LISA M. CARROLL, VICE PRESIDENT OF HEALTH SERVICES, SMALL BUSINESS SERVICE BUREAU, WORCESTER, MA; KATHY METZGER, CONSULTING DIRECTOR, CENTRAL MASSACHUSETTS BUSINESS GROUP ON HEALTH, WORCESTER, MA, AND GARY J. SPRING, PRESIDENT, SEIU LOCAL 495, AND SECRETARY AND TREASURER, WORCESTER-FRAMINGHAM CENTRAL LABOR COUNCIL, WORCESTER, MA

Ms. MALDONADO. Thank you, Senator.

My family and I are users of the Great Book Valley Health Center's services, and I serve as vice chair of the board of directors.

Your work in the Senate on behalf of the poor is well-recognized by all of us who care for those who are underserved. Your bills, S. 493 and S. 1227, the HealthAmerica legislation, especially attend to many of the issues that re dear to us.

Located in the midst of the larger housing project in Worcester, the health center cares for many of the working poor and uninsured throughout Worcester. Seventy-six percent of our clients are Latino, and 16 percent are black. Ninety percent have incomes below the poverty level, and one-third speak only Spanish. We have 16,000 registered users.

The two most common diagnoses for the adolescents we care for are, first, pregnancy, and second, depression. Twenty-nine percent of the births managed by the health center last year were to teenagers, as compared to 13.2 percent of births to teenagers in Worcester and 8.5 percent of the births in the State.

Worcester faces the same problems related to infant mortality as do the major cities. The gap between black and white infant survival is unconscionable, at 17.4 versus 9.2 per thousand live births for the period 1986–89. Worcester's overall infant mortality rate exceeds the States's rate. Yet resources have been limited in this area because we cannot compete with the needs of the largest cities.

HIV and substance abuse are additional problems faced by our users. It is estimated that in Worcester there are 2,000 HIV-infected individuals. An estimate of 4,000 IV drug users makes us a community at risk. HIV infection, as in many other inner cities, differentially affects the minority population. The care given to our clients has become more complex as their need for services has increased. For instance, 2 weeks ago we had a visit from an HIV-infected client who was uninsured. He needed Bactrim and other medications. He should be eligible for Medicaid, but was still in the

process of applying, with assistance from our advocacy efforts. These medications were not available to him because the pharmacy only gets reimbursed for "high-cost" HIV drugs.

The health center has to absorb greater costs associated with the cost of this and similar clients. It is critical that we continue to pursue a system of reimbursement which entitles the client and not the provider.

The lack of an overall system of insurance coverage places an incredible burden on the primary care providers to deliver the necessary care in an environment that has become ever more complex. Managed care has been the practice of community health centers since their beginning in 1965 at Columbia Point in Boston. Access to care which is comprehensive and which attends to the unique needs of our clients is cost-effective. Yet we are facing an environment in Massachusetts which threatens the very fabric of these services by demanding price competition.

The population we serve, as you heard from the previous witnesses who testified about the risks of losing their insurance, is needy, but with the economic situation the way it is, it is increasingly evident that more people are becoming more needy.

The recession has drastically increased the number of uninsured. Two of our self-paid clients have recently filed for personal bankruptcy.

Senator, we need you to continue to work on the very issues to which you have made a commitment: Stable funding for care to the poor, universal coverage, substance abuse treatment on demand, preventive services, and malpractice insurance relief for those who make their life mission to serve those who otherwise would go underserved. Thank you.

The CHAIRMAN. Thank you. I think we'll hear from all of the witnesses and then get to the questioning. Lisa Carroll.

Ms. CARROLL. Good morning, Mr. Chairman.

I want to thank you for the opportunity to address you today on the Democratic leadership's HealthAmerica legislation.

My name is Lisa Carroll. I am a registered nurse and vice president of health services for the Small Business Service Bureau, which has national headquarters based here in Worcester.

SBSB is one of the largest private sector small business associations in the country. Most of our 35,000 members are small companies employing fewer than 25 people. In fact, many are sole proprietorships and partnerships.

SBSB provides our member firms with legislative advocacy, management assistance, and access to group benefits and services. One of the most vital services we offer to small businesses is access to group health insurance through Blue Cross/Blue Shield and HMO programs. SBSB pools the small groups into a larger group which promotes marketing and administrative efficiency and premium stabilization.

Small business owners need and want comprehensive health insurance protection for themselves, their families and their employees. But over the past few years, small business owners have found it increasingly difficult to obtain and retain affordable health insurance coverage. Annual premium rate increases, which have ranged from 30 to 200 percent, have forced small business owners to shop

for new carriers, creating a "churning" effect in the market, which encourages small group market instability, and "cream skimming" by insurers.

Small businesses also find that if an employee or dependent has an illness or has utilized medical services, they have few health insurance options from which to choose. The small company then becomes locked into their existing health insurance program at ever-increasing rates, until it is so unaffordable they must cancel coverage altogether and become uninsured.

The primary reason why small companies do not offer health insurance is that they cannot afford it. Small companies are more sensitive to dramatic premium increases, which affect their cash flow. This means small business owners are more willing to change insurers for a lower premium. It is common for small employers to change insurers to save as little as $40 per contract per month.

Most companies have experienced large rate increases over the past year. A recent report in *Business Insurance* quoted 1991 indemnity rate increases to be in the 20 to 25 percent range and HMO premium increases in the 10 to 15 percent range.

On the surface these may seem like moderate rate increases, but add these percentages to the higher base premium rate common in the small group market, and it becomes clear why small companies shop for lower-priced alternatives or decide to go uninsured. According to Foster and Higgins, the 1990 premium for all companies was $3,200 per employee. Small companies are paying rates that start at $3,200 a year, and some pay as much as $25,000 a year for one employee. And I'd like to say that recently Empire Blue Cross has had a lot of press about their rate increases in their small group market and has quoted that some employees will be charged $11,000 a year for one contract.

Most small business owners earn only $10–$50,000 annually and work 6 to 7 days per week. They are not wealthy people, and their economic ability to offer health insurance coverage has been adversely impacted by a weak economy and high insurance premiums.

Making health insurance affordable is equal to if not more important than the access issue. Discussing access necessitates discussing price. In a recent survey of Small Business Service Bureau members, 41 percent of respondents reported that health insurance was their most costly business insurance expense. The majority of respondents also voted that they would support a national health care system if and only if it guaranteed coverage at affordable rates.

Small businesses offering health insurance currently pay for State-mandated benefits, which drive up premium costs as much as 20 percent; cost-shifting from providers, hospitals and insurers due to the ability of large companies to negotiate preferred discounts and self-insured ERISA plans; cost-shifting due to decreased Medicare and Medicaid reimbursement; and medical inflation.

Compounding the problem of higher base rates in small groups, insurance companies have become very sophisticated in their rating methodologies. Basically, if you are young and healthy, you will get a lower rate. HMO's, on the other hand, have been more successful in offering affordable coverage to small business regardless of age

or health status, if they can survive the rating and underwriting practices of their competitors. In this regard, leveling the playing field among insurers is critical.

We are pleased that the HealthAmerica proposal begins to address the affordability issue by creating tax incentives for small companies which offer insurance to their employees, and by creating a benefit package which preempts State-mandated benefit laws. The legislation also focuses on the special needs of new business start-ups, encourages the use of managed care plans, and addresses how health insurance is rated.

I'd like to talk about the rating issue for a moment. The argument of community rating versus experience rating is tooted in the more fundamental issue of the young subsidizing the old and the healthy subsidizing the unhealthy. This problem is compounded by an aging society where we treat more conditions more intensely. This social policy question is difficult to answer. However, implementation of rating formulas, which spread risk and do not discriminate against small companies because of the type of business activity they represent, or the individual age or sex of employees are positive steps. Rate compression and limitation on rate variations and increases are necessary in the small group market, and some form of community-based rating should be a long-range goal.

Reform of the small business insurance market will enhance access to coverage. Underwriting and eligibility restrictions make it difficult for those companies that can afford insurance to obtain it. In addition, insurers often base their guidelines on what the competition is doing in the same marketplace. The domino effect of competitive underwriting and rating practices contributes to the adverse selection phenomenon and too often results in the small employer being the loser.

Prohibiting carriers from "cherry-picking" the best risk will diminish the effects of adverse selection on those health insurance plans which have not engaged in risk-aversive underwriting practices. Beneficial access features of small group reform which SBSB supports include: Prohibiting medical underwriting and denial of individuals or groups because of actual or anticipated health conditions or claims experience; continuity of coverage provisions; guaranteed renewability, and limitations of pre-existing condition exclusions and waiting periods.

There are health insurance programs in the market which are available on a guaranteed-issue basis for small companies, but the eligibility guidelines are so restrictive few companies can qualify.

Eligibility guidelines such as employer contribution, employee participation and date-of-hire requirements must be assessed for ease of compliance by a small employer. This is an important aspect of balancing access and availability of coverage and employer incentive with underwriting stability.

SBSB encourages the Democratic leadership to review the eligibility guidelines in the HealthAmerica proposal given this situation. As written, they may remove employer flexibility in structuring employee benefits that meet the company's financial needs and the needs of employees.

This issue has taken on critical importance given the economic downturn experienced by small businesses. For example, a general

contractor was forced to cancel the health insurance for his company of three due to cash flow problems. He had been enrolled in the same plan for over 8 years but had to make a choice between paying for the insurance or keeping his staff employed. He is now reapplying for coverage because contracting jobs have picked up slightly over the summer.

A survey of subscribers recently canceled from a very reasonably-priced HMO in Massachusetts demonstrated that 32 percent could not even afford this premium. Most of these people were struggling to remain in business in an economy with unemployment over 10 percent.

In conclusion, small businesses are supportive of reforming the small group insurance market because it has become increasingly expensive and restrictive. They re supportive of improved tax treatment, from which big business has benefited for years. Structural market reforms, when implemented with reforms in the area of long-term care, Medicaid financing and eligibility, and malpractice insurance, will close many of the gaps in the present American health system. The HealthAmerica proposal offers a foundation for debate and eventual resolution of these issues.

Small employers are not supportive of a mandate to provide benefits they have had difficulty obtaining and retaining in the first place. Employer mandates will not be necessary if insurers, legislators and the small business community work cooperatively to strengthen the private insurance market.

There are several examples of very successful health insurance programs right here in Worcester that are working for the small businesses of this community. Fallon Community Health Plan has been a very popular and a premier example of how health insurers and the small business community can find common ground.

It is important that the private and public sectors work together to keep the country's small businesses operational, by promoting access to affordable health insurance for themselves, their dependents and employees. SBSB commends the efforts of the chairman and the Democratic leadership to listen to and address the concerns of the small business population as they respond to the health care problem facing this Nation.

Nationally recognized expert on economics, Dr. David Birch, indicated that companies with fewer than 20 employees created 88 percent of new jobs between the last recessionary period of 1981 to 1985. To reverse the impact of the present recession, the business climate must be conducive to allow growth in the immediate future.

We encourage the legislators to enact health care reforms which will help America's small businesses to compete fairly in our shrinking and ever more competitive marketplace. Thank you.

The CHAIRMAN. Thank you for that very helpful and comprehensive commentary.

I must say I am just amazed that any small business can have any coverage at all the way they are treated in the tax code. About half of the employees in the country who work for small businesses get coverage in this country. It is just amazing to me that any of them can provide it. They are treated differently in the tax code. They make adjustments every 2 or 3 years, generally, in terms of finding other policies. If they have a serious illness or a major acci-

dent in the company or corporation, their premiums jump up to reflect it and make it virtually impossible for that company to continue to afford it.

So it is extremely unfair at this time. We know that generally, for the insurance companies that are selling to the small businesses, up to 35 or 40 percent of the amount that is paid in to the employer goes to either profit or to administrative costs. And as has been pointed out, the ability of the major insurance companies to target the healthy and the young and really move toward that group rather than many others in the society who are in need of coverage is something that has to be focused on.

As was mentioned, Ms. Carroll, we include measures in the tax code for treating smaller companies the same as the large companies; we also provide a tax credit which effectively would move the cost of the premium to the employer to about half. We do permit those employers who are employing part-time and low-income individuals to be able to take a percentage of payroll and effectively meet their obligations to coverage in that way. And we preempt the States in terms of their benefit package.

We have a benefit package which is really a small Chevy or a small Ford; it is not a Buick and certainly not a Cadillac program. It is a program which has the equivalency of, as I understand, better than 90 percent of all of the programs that are being provided at the present time. We provide some flexibility in how to deal with the various accounting provisions. Your testimony was very helpful.

Minerva, before we get away from the points that you made about the health center, I just wanted to ask you whether you have seen any change in your patient load as a result of the recession. During our opportunity to stop by earlier today, we talked about personnel and being able to retain personnel, the role of the board and some of the challenges in terms of infant mortality because of the way the particular infant mortality figures are assessed, which reflect many of the same kinds of problems in terms of that particular population group that exist in Boston or other larger cities in the Commonwealth, and because of the way the funding formulas are fashioned, we don't see those who are in need of prenatal care receiving services.

But let me ask you this. Do you see much of a change in your population—is there greater need now? Is there less ability to be able to contribute whatever they have been able to contribute in the past?

Ms. MALDONADO. There is a definite increase in the patient load. We see the community health centers as the lifeline of these communities, especially for the poor, and as more and more people are unemployed, we are seeing that we are absorbing that community, and that population of people who are uninsured are coming to us for services because we do provide services on a sliding fee scale.

We have been receiving Federal reimbursement grants toward those self-pay patients, but within the last 5 years, we have really gotten no increase in that reimbursement. So definitely, we are absorbing a lot of the community.

The CHAIRMAN. We are also seeing increases in the costs of some of the prescription drugs as well. We are trying to work with the PMA to see if we can't get some additional consideration because

of the increase in terms of the cost of drugs through neighborhood health centers and community health centers generally. Hopefully, we'll be able to be of some help in that regard. OK.

Kathy Metzger, we'd be delighted to hear from you.

Ms. METZGER. I'd like to thank you and your staff, Senator Kennedy, for giving us this opportunity.

I am Kathy Metzger, the consulting director of the Central Massachusetts Business Group on Health. The CMBGH is a coalition of more than 30 companies and nonprofit organizations. It has been active in the Worcester area since 1981. A major purpose of the organization is to help its members manage their health care benefits programs and improve the health status of their employees and their dependents. The Central Mass Business Group is concerned with the development of policies and programs that support high-quality, cost-effective and affordable health care in Central Massachusetts.

Thank you for this opportunity to talk with you and your staff about S. 1227, HealthAmerica. We recognize it as a significant contribution to the discussion about national health reform. We are pleased to see the focus on access, quality and cost issues which the Worcester community has long seen as interrelated. Access, cost management, and quality improvement were emphasized when the community sought and received funding from the Robert Wood Johnson Foundation for the Worcester Area Systems for Affordable Health Care Project.

The Central Mass Business Group has not taken a formal position on this legislation. Our review and discussion are incomplete. During the last several months, our membership has focused its attention on health care legislation within the State. Possibly today could be a start in a dialogue about health care reform at the national level.

In spite of the efforts of many Worcester area businesses and nonprofit organizations to purchase health care more prudently, most are faced with an ever increasing cost for providing health care to their employees. Business pays for approximately 30 percent of the health care in the country, and increasing costs are a major concern.

Recent HCFA figures indicate that business spent $173.4 billion on health care in 1989, which was 8.3 percent of wages and salaries. This does not include the employee's share of premiums, deductibles or copays, which as they grow erode the employee's buying power; nor do these figures include the tax dollars contributed by businesses that are allocated for health care at the State and Federal level.

We should all be concerned that when we spend too much for health care, we are using resources that could be used for education, public safety, or allocated to the uninsured, and business is very interested in finding a solution to the health care problem.

Our members are looking for solutions and would like to actively participate in this discussion.

Like the Washington Business Group on Health, the Central Mass Business Group can support a number of the concepts included in the HealthAmerica legislation. We are interested to learn the details of some of the proposals. In particular, the concepts we

could support include the following: universal insurance coverage for Americans; expanded funding for community health centers; expanded outcomes research, practice guidelines and technology assessment to address quality and cost issue. We support the collection and dissemination to purchasers of cost and quality data on providers; the restructuring of Medicaid, with comprehensive Federal eligibility, coverage and reimbursement standards is very important; reduced cost-shifting to the private sector by public sector payers; reform of the small group health insurance market is obviously very important; encouragement of systems that reduce paper flow and cost of administration, and medical malpractice reform are all very important parts of this legislation.

The Central Mass Business Group is also very pleased to see that managed care is encouraged in the HealthAmerica legislation. We would agree with the following testimony of Mary Jane England, president of the Washington Business Group, however, who pointed out that "HealthAmerica does not go far enough in this direction—that is, managed care. For example, capping the cost-sharing while barring employers from offering only closed panel networks creates a disincentive to effective managed care arrangements. Ironically, this disincentive operates most strongly in the case of high-cost persons who generate the bulk of health care costs and who have the most to gain from quality-oriented managed care."

The Worcester area has a lot of experience with managed care. The purpose of the WASAHC project was to ensure that area residents have access to high-quality health care services at the most affordable rates possible. A major goal of that effort was to have 50 percent of the Worcester area population enrolled in managed care plans and 50 percent in managed care insurance.

At the conclusion of that project, approximately 42 percent of the community was enrolled in managed care. We are fortunate to have had a choice of managed care plans available here from which employers and employees could choose. And I might add that several of the area health plans have made their health plans available not only to the Medicaid population but also that they have participated in pilot programs which have sought to expand coverage for the unemployed and others who have not had coverage.

I think satisfaction is one of the reasons that there is often concern about managed care. In late 1989/early 1990, WASAHC and the Business Group surveyed employees at 10 Worcester employers to determine satisfaction with their chosen health plans. The numbers allowed us to analyze the results from three health plans. The respondees differed in what they saw as the best and worst features of their plans, but overall satisfaction levels for these plans offered in Worcester were over 90 percent, and we see these results as positive about some of the managed care options available in the Worcester area.

We also think that information is very important for consumers. Employers, employees and other consumers need very good comparative information if they are to choose among the health plans available in their communities, and we would encourage you to support making this information available in your legislation.

Last, the "pay or play" approach to expanding access and participation has been controversial among businesses in Central Massachusetts, as it has been around the country. Employers have been divided. I think what I can best say about this is that the specifics of implementation and more details about the financing under S. 1227 must be further detailed before we can comment on that. But we want you to know that we do support reforms, and we support your efforts. Thank you.

The CHAIRMAN. Thank you very much. I hope you'll do a careful evaluation for your group on what the impact of our bill would be on your clientele businesses, because at least our information is that it would save them when fully implemented, and I think it will be of some value in making their own judgment as to what they are going to do if they at least have that information.

Basically what we have attempted to do with all the various groups down there is to ask them to get their best accountants and review the various programs that have been put in. I think you are going to find the most expensive plan of all is to do nothing, and that is going to have the most adverse impact on businesses.

So we do want to work closely with your group. We know that they have been very constructive and positive here in the greater Worcester community as well as in the State.

One of the points that you mentioned was the availability of information. We have every intention of encouraging that. We require the kind of information that is being made available by providers in Pennsylvania, both for hospitals and physicians. It is just information concerning utilization and other kinds of cost factors. This is having an important impact in terms of making it available to consumers. So people are watching that very closely. So we thank you for your comments and also for your suggestions and look forward to working with you. Gary Spring, could we hear from you, please?

Mr. SPRING. Good morning, Senator Kennedy. Thank you for the opportunity to testify this morning. For the record, my name is Gary Spring, and I am business manager of SEIU, Local 495, and treasurer of the Worcester-Framingham Central Labor Council, AFL–CIO.

There is no bigger issue facing employers and workers of this country than access to affordable, quality health care. The current situation is nothing short of a crisis, and its effects are staggering.

Thirty-seven million Americans have no health care protection at all. Hospital, doctor, and prescription drug costs are rising every year. Cost-shifting of insurance from employer to working families has become the single most contentious point in collective bargaining. Eighty-five percent of all strikes center around health care costs.

Unions have since 1920's called for a national health care program that guarantees access to all citizens. Today we ask why Americans are spending more of their resources for health care than countries like Canada, Japan and England, when those countries have guaranteed care. The time has come for our political leaders to act.

While the AFL–CIO has not endorsed any health care bill, labor has embraced a set of basic principles that should guide the debate and the legislation.

These principles call for national health care reform to be affordable, comprehensive in long- and short-term coverage, universal in availability, effective for cost containment, high quality, and able to move with a worker from job to job and area to area.

This is a national agenda. Let me explain how this nationwide crisis affects workers and families in the Worcester area.

The City of Leominster arbitrarily implemented a change in the indemnity carrier from Blue Cross/Blue Shield Master Health Plus to Blue Cross/Blue Shield Major Medical. The employees' payment now for Master Health Plus coverage is $214.52 per month where previously it was $144.44 per month—an increase of $70.80 per month. Compounding this, there was a 30 percent reduction of force. The laid-off workers were now responsible for their total premium of $577.76 plus 2 percent administrative cost under the COBRA law. This would have to be paid out of their unemployment compensation of $270 per week for a family of four.

Another case in point is the Town of Spencer, where coverage under Blue Cross/Blue Shield Master Health Plus was a change from the employee paying $4.55 per month to $126 per month now.

These two cases are indicative of what is happening in the areas we represent.

Admittedly, I cannot put all the blame on the employer because of the cost of the increase in the premiums. The aforesaid communities are now in negotiations. There have been no wage increases for the last year, and in some cases 2 years. The upcoming year does not look any better in regard to wage increases, mainly because the cost of health insurance is taking all the moneys away from any other collective bargaining areas.

I would also like to point out that the salaries of the employees that 495 represents in the area range from $12,000 to $20,000 per year. In many cases, the employees are laid off to balance the budget. Because health care costs in budgets for many towns and municipalities have become so large that they cannot retain the same number of employees, they are laying people off in order to maintain the budget, and the health insurance is becoming the budget buster for the communities.

I would like to take this opportunity, Senator Kennedy, to say how proud and honored we are to have a champion Senator from Massachusetts as yourself in Washington, and I applaud you on behalf of the AFL–CIO and SEIU for all the work you have done in this endeavor and any other endeavor to help support benefits for the common man. I thank you.

The CHAIRMAN. Thank you very much, Gary.

Tell me a little bit about your members. Have many of them been laid off in the recession?

Mr. SPRING. Right now, my own membership is probably down about 30 percent in the last 2 years. In the City of Worcester alone, I believe we have lost 125 in this fiscal year we are in right now, and throughout the country probably approximately another 100 employees have lost their jobs.

The CHAIRMAN. Are they able to continue their coverage?

Mr. SPRING. No.

The CHAIRMAN. Do you think most of them lose it over a period of time?

Mr. SPRING. The Universal Health Care of Massachusetts is somewhat of a supplement to help out with the health insurance, but if you have a Master Health Plus policy, which is certainly the premium policy with Blue Cross or the Blues, and you have to go to such a lesser plan, you are going to be losing many benefits that you had probably been paying for for many years prior to your being laid off, and those are the pre-existing conditions, dental riders, prescription riders, and those areas.

The CHAIRMAN. In the last 2 or 3 years of these negotiations, where are the areas that you've felt the pressure from negotiations and cutting back?

Mr. SPRING. Well, in one town—it doesn't really matter where it is—in February of this year I got a letter saying they would like to reopen the contract because of health care costs. Under the law, I am not bound to open the contract, but I did listen, and I said no, I'm not going to open the contract because all you want to do is take away the health insurance, or deplete it. They didn't do anything, but eventually we had to go into negotiations for the upcoming years, and we went in, and they called it expedited negotiations, which I have never been confronted with in 15 years. We had a couple of meetings, bang, bang, bang, and then they turned around and just arbitrarily implemented a reduction plans, a reduction in coverage and everything else, and it expedited costs in the premium carrier. That is what has been happening.

In other cases, they have tried to implement changes in health insurance, and we have gone either through the court systems or through the labor commission, and they have had to rescind that and pay people money back that they took legally. What has happened, when they have had to pay the people back, they come to me and they say, "If we have to pay this money back, we are going to have to lay people off." So it's like I'm constantly held hostage on where people have contracted benefits that we have agreed upon, and they are now being taken away, and now they are saying we have to lay them off if we have to give them benefits—and mainly it is all because of the health insurance costs to the municipalities.

The CHAIRMAN. So your members are finding out what others are, and that is that even if they do have coverage, effectively they are denying any opportunity for an increase in their wages because they are paying for somebody else's health insurance. It is a real competitive disadvantage particularly, I would imagine, in small companies. For instance, two companies producing widgets, one is paying these health care costs and the other one isn't, they are going to find out from a competitive point of view that there is going to be more and more downward pressure for particularly smaller companies to give up their coverage, and we are seeing that, unfortunately—or going to part-time workers so they don't have to provide any benefits, health care, retirement, or other benefits, and that is putting a squeeze on families and a very significant downward pressure. That is another issue for another time,

but it is something that is not unrelated to the kinds of difficulties that families are facing.

I want to first of all express appreciation to all of the witnesses who were good enough to testify or comment today. I think all of us have to be incredibly moved by the very powerful testimony that was given by the families who were here in the earlier panel—all somewhat different in terms of the kinds of health care challenges that they are facing, but all giving testimony having a ring that can be replicated and is replicated in communities across this country and that so many of our fellow citizens in our Commonwealth are facing every, single day. And we haven't even today talked about long-term care and the need for that, which is something that I am strongly committed to. I believe in it from a public policy point of view and also from a personal point of view. My mother is 101 years young, 2 or 3 weeks ago, and we have been able to provide long-term care for her and for my father before her; but it would be virtually impossible for other families to be able to provide that kind of extended care. My father had a heart attack and was sick for about 9 years, and my mother now has needed some very careful attention for a period of 10 years. But we have seen what a difference it has made having them both at home, just in terms of the other members of the family.

So these issues are very real, to all families, and they are going to have to be worked on. The "pay or play" program puts some responsibility on the individual in terms of ability to pay; it puts some responsibility on businesses; it puts some responsibility at the Federal level and State level. It is a shared responsibility. That is the only way, given where we are with these challenges that we are facing today, and it is the only approach that I think is workable in the very foreseeable future.

We are grateful to the families. We are very grateful to others who bring a different perspective in terms of needs of community health centers. We have seen Columbia Point and Mt. Bayou centers and the success they have had, and have put that into legislation so that community health center experiences can be available nationwide was one of the first pieces of legislation that we were able to get through the Senate, and I have a continuing interest in the success of those programs. We have some increases even with limited resources at the national level this year through the Senate, which we will be debating just as soon as we return, and that is enormously important.

We are interested in hearing out fully and completely the challenges for small businesses, which we are very sensitive to, and whose special concerns we have tried to deal with those in a responsive way in the legislation. We are always interested in hearing additional ideas and suggestions from them, as well as from some of those in the larger community who have been working on health policy issues; that was very useful. And hearing Gary Spring tell what it's like among workers who have been involved and continue to be involved in programs and seeing what is happening to them is always of great interest to me.

So I am thankful to all of you. This has been very helpful. I know there is additional information that will be made a part of the record. And I would say to any of those people who are either here

in our audience or hear of our hearing if they have ideas, recommendations, or suggestions, we are always glad to hear from them and will make that a part of the record as well.

I thank all of you for your courtesy this morning. This is a very important issue for our country, and it is certainly one of my very high priorities, and I have appreciated all the courtesies which you have shown the witnesses and for your presence.

[Additional statements and material submitted for the record follow:]

PREPARED STATEMENT OF DAVID M. DAVIDSON, AYER, MA

I was laid off on December 31, 1990, when the retail jeweler I worked for began a company-wide downsizing. On August 11, 1991, my unemployment benefits ran out. Between these dates my life has been directed toward finding a new job, a goal which still eludes me. My educational background and previous experience is substantial. I have a masters degree from Purdue and have always worked for a living. Since losing my job, I have consistently looked for work; I have sent out letters and resumes and made follow-up calls to potential employers. My job has been to get a job. Still the actual interviews have been depressingly few.

During the first three months of this year I was only able to get one interview. This situation was very painful. I appreciate the time given me by the staff members at the Department of Employment and Training during these particularly stressful three months. They helped keep my spirit up and focused on the task at hand getting a job. Since April I have averaged one interview every two weeks. While the situation is better, I still have no job. All of us would like to believe along with President Bush that the economy is recovering from the recession and that better days are ahead, but this is clearly not so. Some employers are looking, but like the customers in the malls last fall, they are not buying. Until they do start hiring, people like me will not be able to pay our bills. some of us will go bankrupt. Some of us will even become homeless. This is something that even a year ago I could not imagine happening to me. Now I know that it can.

The experts have all said the signs of economic recovery are weak. No boost will be provided to the economy if people like myself who have managed to keep the wolf from the door are pushed into bankruptcy or onto the streets. And while our individual economic misfortunes may seem like minor melodramas, each of us could be straws leading to economic collapse. Regardless of what may be said by the administration, people here in New England know what this situation is. It is a depression and the old timers who lived through the Great Depression are comparing the two; just ask them. We are all connected, and if we are interested in the common good, we should do what is necessary to insure it ... regardless of our political affiliations.

PREPARED STATEMENT OF WOLFGANG LOWY, BROOKFIELD, MA

I want to start out by thanking you and the U.S. Senate Committee on labor and Human Resources for showing an interest in those of us who are temporarily, I hope, out of proper health insurance coverage for themselves and their families.

My problem began with a conversion notice sent to me directly by Empire (New York) Blue Cross on September 28, 1990, stating that I pay them $471.60 for quarterly charges covering June 1, 1990-September 1, 1990. On October 15, 1990 I wrote to Blue Cross asking them to tell me the person who terminated my hospitalization coverage. At the time and until my last pay check ending April 4, 1991, $120 was taken out each month to help pay for a portion of my employer's hospitalization—Major Medical Plan expenses. I spoke with my head office in New York City about this matter, before I wrote directly to Blue Cross. Unfortunately, my head office at E. B. Meyrowitz, Inc., New York, could never give me an honest answer except to say that everything was fine and not to worry.

Finally I received a handwritten memo from Blue Cross, dated November 5, 1990, specifically stating that the E. B. Meyrowitz, Inc. group hospitalization plan was terminated on June 1, 1990! On November 8, 1990, the home office asked all of us to send them our signed Blue Cross conversion notice. I photo copied my conversion notice (quarterly statement) and sent it to the New York office on November 13, 1990, without my signature on it, as requested. I still have the original Blue Cross quarterly statement. On November 15, 1990, I sent a letter to the New York office saying to them essentially to stop taking a $120 monthly contribution out of my pay check without providing group hospitalization.

Things are getting even worse. On December 7, 1990, Blue Cross mailed me an "Interim Bill" in the amount of $998.20 giving me hospitalization coverage, which was actually to be paid by my employer, from September 1, 1990-March 1, 1991. There also came in the mail a new blue Cross I.D. card mailed on December 6, 1990, making me proud to be back with my old hospitalization vendor. As Empire Blue Cross-Blue Shield says it "With some things, only the best will do ... Health insurance is one of them."

On January 8, 1991, my home office sent me a letter advising me to return to them any refund I receive from Blue Cross. By February 20, 1991, a check for $3.68 did arrive from Blue Cross which I cashed and pocketed for all the aggravation this hospitalization coverage ordeal has given me. On January 25, 1991, Blue Cross advises me that their new proposed quarterly billing of $504.60 will go up to $582.30 effective April 1, 1991. Thanks. I was always monitoring these communications directly with Blue Cross and found out that E. B. Meyrowitz has not paid any premiums since September 1, 1990.

Another bill comes from Blue Cross dated February 7, 1991, asking for payment of $504.60 covering the period of January 1, 1991-April 1, 1991. The next day, February 8, 1991, an "Interim Bill" comes to me in the amount of $998.20 which pretends to cover my hospitalization insurance from September 1, 1990-March 1, 1991. That ends my association with Empire Blue Cross and no group hospitalization coverage since June 1, 1990. Unfortunately, my monthly contribution of $120 is continuously being taken out of my pay check. I just want to mention that the original Blue Cross group contract was issued on January 1, 1984.

As I was stating the above group hospitalization problem with non-payments to Empire Blue Cross since June 1, 1990, at the same time we had major medical coverage, except hospitalization, with The Guardian Life Insurance Co. of America which was actually being paid by E. B. Meyrowitz, Inc. The Guardian coverage started on June 1, 1989, and lasted until March 1, 1991, at which time Chubb Life America was chosen by the firm as its exclusive Major Medical carrier (including hospitalization). Unfortunately, Chubb canceled my group insurance on March 30, 1991. On April 4, 1991, my employment was terminated after more than 20 years of continuous service.

The past is history. I am presently unemployed, but actively seeking full time work, because E. B. Meyrowitz, Inc. has come under Chapter 11 protection since February of this year. Our whole New England chain of optical stores, Alony Opticians, have been closed because of corporate restructuring and down-sizing.

As for my present health insurance situation, I do not have COBRA nor Group Conversion, and I do not qualify for The Health Security Plan from the Commonwealth of Massachusetts. However, I do have a Health Major Medical Policy from Nationwide Life Insurance Company which I have had since 1963 and costs me $317.96 per year. It has a $750 deductible feature with a maximum coverage of $10,000 per sickness or accident subject to 20 percent payment on my part and 80 percent by Nationwide. So far I have never used this policy. Thank goodness. Recently, my wife and I purchased an AARP Group Health Insurance policy which pays $70 per day for a hospital stay and double the amount for intensive care. Also, there is a $140 payment for outpatient care in a hospital. The monthly premium for this meager, but at least mini coverage, is $31.50 per month and is underwritten by The Prudential.

By now I am ready to produce a TV show based upon my happenings to enlighten the public. Maybe some will feel this is entertaining. Unfortunately, more people than we realize are suffering from a lack of good health insurance at no fault of their own. With sharp legal practices and a tendency for American business and industry to convert this nation into a non-union economy which has led to a sizable part time work force without social benefits such as health insurance. We are now back to 1929–1933 under President Hoover who did not help this nation at its critical social crisis during the World Depression. Let us hope that the current U.S. Congress can come up with an acceptable solution to the Nation's basic health insurance needs. Obviously, whatever we have had up to now is not really working to the advantage of all our citizens. As the saying goes, "Too many cooks spoil the broth." The time has come for a National or Human Health Insurance program such as is found in nearly all the other major industrialized nations of the world.

The committee stands in recess.

[Whereupon, at 11:57 a.m., the committee was adjourned.]

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